

Change in New Zealand Electricity Companies: A Study of Organizational Response to a Deregulated Market

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List of Abbreviations

AEPB	Ashburton Electric Power Board
BEL	Buller Electricity Limited
BEPB	Buller Electric Power Board
BPR	Business Process Reengineering
CCC	Christchurch City Council
CCEPB	Central Canterbury Electric Power Board
CCMED	Christchurch City Municipal Electricity Department
CEO	Chief Executive Officer
DCC	Dunedin City Council
DCCED	Dunedin City Council Electricity Department
DCHL	Dunedin City Holdings Limited
DEL	Dunedin Electricity Limited
EAL	Electricity Ashburton Limited
ECNZ	Electricity Corporation of New Zealand
ELL	Electra Limited
EM	Employee Managers
EPB	Electric Power Board
ESA	Electricity Supply Authority
EY	Ernst and Young
GM	General Manager
HEL	Horowhenua Energy Limited
HEPB	Horowhenua Electric Power Board
HET	Horowhenua Energy Trust
ISO	The International Organization for Standardization
IT	Information Technology
KPI	Key Performance Indicators
LAN	Local Area Network
LOE	Locally Owned Enterprise
MD	Managing Director
MED	Municipal Electricity Department
MEL	Mercury Electricity Limited
MPL	MainPower Limited
NCEPB	North Canterbury Electric Power Board
NZED	New Zealand Electricity Department
NZSE	New Zealand Stock Exchange
PNZ	Power New Zealand Limited
RERC	Rural Electricity Reticulation Council
SMART	Salient Multi Attribute Rating Technique
SOE	State Owned Enterprise
SPL	Southpower Limited
TONZ	Trustees of New Zealand
VPL	Valley Power Limited
WEL	Waitemata Electricity Limited
WEPB	Waitemata Electric Power Board

Abstract

This thesis examines organizational responses to the deregulation of electricity industry in New Zealand between 1987 and 1997 based on a qualitative study of seven organizations. The study employs a case study methodology using semi-structured interviews for primary data collection. In total thirty-eight respondents responsible for determining the strategic direction of each organization – senior managers and organizational board members – were interviewed. Ensuring the accuracy of this raw data through a process of triangulation, data was then analysed manually to extract themes as they emerged.

This thesis contributes to the body of literature on organizational change in three key areas. First, the thesis proposes that researchers should view change as a political process and therefore should examine it from a strategic choice and multilevel perspective. Second, having observed both adaptive and transformational change types in the same institutional setting, the thesis argues that ownership, governance structures and community ties – particularly when contrasting rural and urban contexts – influence the process of organizational change. Third, the thesis argues that the changes to CEO and dominant coalition are a fundamental and necessary precursor to the implementation of transformational change.

Chapter One

Introduction

1.1 Overview

This thesis examines organizational responses to the deregulation of New Zealand electricity industry between 1988 and 1998. It is based on a qualitative study of seven organizations in the distribution sector of the New Zealand electricity industry. In step with wider economic reform during this period, deregulation of this sector was introduced in an attempt to stimulate competition and develop efficiency in the electricity industry. These legislative changes took place over a ten-year period and also allowed the electricity organizations to provide input into the legislative process. The government first attempted to redefine the ownership of each organization in the distribution sector. Organizational responses to this action varied, ranging from reactive and incremental, to anticipatory and transformational. Through the use of a qualitative methodology, this research focuses on the dynamics of change within these companies as a result of these legislative changes. The purpose of the study is to provide a rich insight into the organizational dynamics of such change. In particular, the thesis proposes two answer two questions. First, given the institutional change, did firms adopt similar or different change strategies? Second, what factors influenced the choice of organizational change strategy?

1.2 Research Design

A qualitative case study methodology was considered appropriate for research on the organizational change process of New Zealand electricity companies for three reasons (Yin, 1994; Eisenhardt, 1989; Bryman, 1988). First, the research required an open-ended methodology that would allow the accommodation and incorporation of the richness of all views of respondents; this ruled out the consideration of a restrictive positivistic approach (Cassell and Symon, 1994; Bryman, 1988; Merriam and Simpson, 1995). Second, there is a dearth of studies, which examine the change processes in a holistic manner, as most extant research tends to focus on specific strands such as the use of resources, for example operational reviews for efficiency (Pettigrew, 1988). Third, organizational change is context-specific and the case study

methodology is well suited to study context-specific phenomena (Denzin and Lincoln, 1994; Taylor and Bogdan, 1984; Yin, 1994). Literature on organizational change does not have many instances of the process of change as it unravelled in a specific context or a setting. In addition, authors like Greenwood and Hinings (1996) explicitly suggest the use of comparative case studies to study organizational change.

While case study design went into decline in the 1960s owing primarily to its idiosyncratic nature and a preference for experiments and surveys (Daft, 1980; Bryman, 1989), its resurgence as a viable research methodology can be attributed to Robert Yin (1994). Yin (1994) argues that the case study design allows the holistic and meaningful nature of real life events, such as organizational and managerial processes, to be retained. According to Stake's (1994) typology case studies can be intrinsic, instrumental or collective in nature. This research should be classified as a collective case study. This method is used for cross case comparisons of an instrumental kind with the implicit assumption that understanding these cases will lead to better theorising about a larger population of cases (Miles and Huberman, 1994). A similar typology is offered by Yin (1994) who classifies cases as descriptive, exploratory and explanatory. This research would be classified as explanatory.

1.3 Significance of the Thesis

This research contributes to both theory and practice of organizational change. First, there is an acknowledged lack of extensive and robust academic analysis of the actual process of change within organizations. Current literature on the process of organizational change is primarily based on anecdotal evidence from those that have either directly experienced or been involved with the implementation process (Pettigrew, 1988). This thesis addresses this gap in the literature by presenting empirical data on the process of organizational change during a period of uncertainty. This provides a significant opportunity to explore, substantiate and extend organizational change theory.

Second, with an international trend favouring deregulation as a means to improve efficiency in many economic sectors, understanding the effects that

deregulation has on organizations has become increasingly important. New Zealand is commonly recognised as being at the vanguard of deregulatory change (Boston et. al., 1996). Therefore an opportunity exists to develop a greater understanding of the implications, subtleties and difficulties inherent to the deregulatory change process from a multi-level perspective. By gathering data on the organizational change process it may be possible to derive generalisable responses to environmental change that could provide assistance to policy-makers and organizational managers in the development, implementation and management of institutional and organizational change. Such findings could also have an application in further theoretical development. The following section provides a summary of the institutional context of the electricity distribution sector in New Zealand. Following this is an overview of the thesis.

1.4 The New Zealand Electricity Distribution and Retail Sector

The New Zealand electricity industry, as elsewhere worldwide, consists of four distinct sectors – electricity generation, transmission, distribution and retailing/trading (Culy, 1992: 4). Generation, or the production of electricity, and transmission, the transport of high voltage electricity, is conventionally regarded as a strategically important and therefore politically sensitive natural monopoly. Historically central government operated both functions under the New Zealand Electricity Department (NZED). Distribution is defined as the business of taking “high voltage electricity and transforming it down to a level that can be used by the final customers” – both commercial and residential (Electricity Task Force, 1989: 14). Electricity retailing/trading includes selling “electricity to the final customer, handling sales contracts, retail metering and other customer services” (Farley 1994: 9). Historically a single company both distributed and retailed electricity within protected franchise areas. It is change that was forced on the distribution and retail/trading sector from 1988 to 1998 that this thesis focuses on.

Successive New Zealand governments have invested heavily in the development of electrical reticulation to stimulate economic and social development. Electricity generation and transmission was closely administered

by the state under the NZED, generally the only 'organization' with access to enough capital to fund such developments. To speed the reticulation process the operation, maintenance, supply (and in some cases generation) of electricity networks came under the auspices of special local authorities – Municipal Electricity Departments (MEDs) and Electric Power Boards (EPBs) referred to collectively as Electrical Supply Authorities (ESAs). EPBs were a special and separate (single function) form of local government created by the Electrical Power Boards Act (1925). Each EPB operated as a protected monopoly within the boundaries of a territorial local authority, and run by locally elected boards of up to 12 members, elected every three years by local constituents. Organizational surpluses were used to fund capital expenditures and increase reserves (Putnam, Hayes & Bartlett, 1989: 2-7). EPBs ranged in size from Auckland (218,000 consumers) to Tararua (5,500) (Putnam, Hayes & Bartlett, 1989: A-5). MEDs were the trading arms of territorial local authorities given authority to operate by the Local Government Act (1974). MEDs were also a protected monopoly and administered by committee members appointed by the municipal council (Putnam, Hayes & Bartlett, 1989: 2-6; Ministry of Commerce, 2001). Unlike EPBs, MEDs used operating surpluses to fund local government activities (Putnam, Hayes & Bartlett, 1989: 2-7). MEDs ranged in size from Christchurch (108,847 consumers) to Bluff (1,137) (Putnam, Hayes & Bartlett, 1989: A-5). The nature with which ESA board composition was determined introduced a bias favouring the desires of domestic consumers (Farley, 1994). This would later become an issue of contention but, during the consolidation of the industry, served to establish electricity as the main form of energy supply for domestic consumers.

The rapid growth of ESAs in the early part of the 20th century saw several different structural variations emerge. These structures bore little resemblance to overseas electricity industries in that there was not a series of large vertically integrated private suppliers (see Table 1.1) (Putnam, Hayes & Bartlett, 1989). However this unique arrangement was generally acknowledged as fostering a highly effective industry, with the majority of New Zealanders connected to an electricity supply by the 1960s (Electricity Task Force, 1989; 8).

Despite the industry’s effectiveness, a lack of competitive pressures and a focus upon local service provision rather than profit, distribution businesses arguably lacked operational and economic efficiency (Putnam, Hayes & Bartlett, 1989: 2-17). In 1987, distribution companies numbered 59 in 1987, 38 as EPBs, 21 as MEDs.

EPB (urban and rural) with no generation capability other than for standby purposes.
EPB with supply from both bulk and own generation.
EPB purely self-sufficient.
MED (urban) distributing electricity from bulk supply.
MED distribution including and adjoining local authorities.
MED self-sufficient.
MED drawing supply from EPB.
MED distributing own generation, with bulk supply from EPB.
EPB run by government.
Table 1.1 Variations in ESA Structure (Rennie, 1989: 94)

It was the lack of technical development and compulsion for efficient operation that alerted New Zealand’s government to the need for the redefinition of the institutional/regulatory structure upon which the electricity sector was based (Spicer et al, 1996). The State Owned Enterprises Act (SOE) (1986) had partly addressed this. In the face of an economic crisis, the SOE Act (1986) deregulated and reformed the structure and strategy of government enterprises along commercial lines to encourage efficiency and financial performance of the entire economy (Spicer et al, 1996: 9; DiMaggio and Powell, 1983). This included the corporatisation of the NZED, which underwent transformational strategic, structural and cultural change to meet these commercial objectives becoming the Electricity Corporation of New Zealand (ECNZ). The success with which the commercialisation process in ECNZ was regarded saw the government turn its attention to the transformation of the wider sector, where the regional focus of electricity companies was identified as incompatible with the government’s strategic vision for the industry (Rennie, 1989). This vision was:

“To ensure that energy services continue to be available at the lowest cost to the economy and are consistent with sustainable development achieved by the efficient and effective provision of energy services through properly functioning commercial systems with competitive incentives” (Bradford, 1997).

The Electric Power Boards Amendment Act (1989) signalled the government's intent in the electricity distribution and retail sector when the government announced that ESAs would be corporatised. Resistance to change was highly visible particularly in EPBs where trustees established a group called the Trustees of New Zealand (TONZ) to lobby the government. As Farley (1994: 44) observed: "The main objective of TONZ was to seek modifications of the reforms to produce as little change as possible from the status quo, which was regarded by their members as generally being a very satisfactory way of managing the industry. They supported introducing some commercial freedoms but were adamantly opposed to privatisation."

In May 1990 the government ruled that EPBs could be owned by local trusts while MEDs could remain in local authority ownership. However, in the general election held that year a new party was elected to power that did not favour trust ownership preferring privatisation of ESAs and with legal complications associated with determining ownership the government's timetable for change was delayed. In 1991, the new government introduced the Energy Sector Reform Bill that contained provisions for the corporatisation of the ESAs. The Bill led to extensive public debate about the appropriate ownership of the ESAs. Ownership was still contentious with diverse views on appropriate ownership of the ESAs. The Bill was later split into five separate Acts including the Energy Companies Act (1992) which provided for the corporatisation of the ESAs and the removal of franchise protection (Ministry of Economic Development, 2001). Following the passing of the Energy Companies Act (1992), 44 energy companies were formed from the existing ESAs, with a diverse range of ownership structures that mirrored the debate prior to the legislation (Farley, 1994). All local authorities initially elected to hold the shares in corporatised MEDs rather than vesting them with other persons or groups. Each EPB used the discretion provided by the Energy Companies Act (1992) to develop a share allocation plan that met legislative requirements. Most favoured trust ownership.

This thesis investigates the process of organizational change implemented by seven electricity companies during this period of environmental upheaval.

Introduced in depth later in this study, these organizations are Buller Electricity Limited (BEL), Electricity Ashburton Limited (EAL), MainPower Limited (MPL), Dunedin Electricity Limited (DEL), Southpower Limited (SPL), Power New Zealand (PNZ) and Electra Limited (ELL).

1.5 Thesis Overview

This thesis is comprised of seven chapters. Chapter one has briefly introduced the research, its design and significance, as well as provided an overview of the New Zealand electricity industry context in which this research was conducted.

Chapter two outlines the research design and methodology utilised in the data collection and analysis process. It provides an overview of the motivation for the study and the formalisation of a research question. It discusses the characteristics and motivation for the use of the qualitative paradigm, specifically in this research case study methodology. An overview of the data collection and analysis techniques is provided.

Chapter three examines the models, theories and concepts of organizational change. This provides the framework for the analysis of case study data to explain the divergent process of, and forces for, organizational change in seven New Zealand electricity distribution companies. The chapter explores the theoretical distinction drawn between continuous and discontinuous organizational change, the concept that the environment is the primary trigger for organizational change is introduced and 'environ-centric' theories of organizational change are reviewed. The influence that values, ideas and beliefs – the 'design archetype' – have on the organizational change process is introduced to integrate the environmental and strategic choice literature to help explain divergent responses to institutional change.

Chapters four and five describe the process of organizational change implemented in the seven organizations that constitute the data for this thesis. Chapter four presents the cases of Buller Electricity Limited (BEL), Electricity Ashburton Limited (EAL) and MainPower Limited (MPL). These organizations followed an adaptive process of organizational change, adapting their strategic, structural and cultural configuration in reaction to deregulation of the electricity

distribution sector. Chapter five presents the cases of Dunedin Electricity Limited (DEL), Southpower Limited (SPL), Power New Zealand (PNZ) and Electra Limited (ELL). These cases followed a transformational process of organizational change, transforming their strategic, structural and cultural configuration in anticipation of environmental change associated with deregulation of the electricity sector.

Chapter six compares and contrasts the process of organizational change implemented in each of the seven electricity companies. With reference to the literature covered in chapter three this chapter investigates and clarifies the organizational, social and political factors that influenced the organizational change process and contributed to the emergence of divergent organizational responses to environmental change.

Chapter seven draws the thesis together and discusses the findings of the cross case analysis in Chapter six in relation to change theory. The thesis proposes that change should be viewed as a political process and therefore examined from a strategic choice and multilevel perspective. Second, the thesis argues that ownership, governance structures and community ties influence organizational change. Third, the thesis argues that the changes to CEO and dominant coalition are a fundamental and necessary precursor to the implementation of transformational change. A model of the change process is presented that captures the effect that ownership has on the organizational change process. The implications of these findings are discussed in relation to policy development, management practice and future research.

Chapter Two Methodology

2.1 Introduction

The following chapter outlines the research design and methodology utilised in the data collection and analysis process. I firstly provide an overview of the motivation for the study and the formalisation of a research question. I then discuss in detail the distinguishing characteristics of the qualitative paradigm and in particular the case study methodology. My motivation for using the qualitative case study as a method for understanding organizational change is provided. Finally I provide an overview of the data collection and analysis techniques employed.

2.2 Ethics Approval and Research Question

The impact that government driven change has had in New Zealand's economic and social spheres provides a rich and readily accessible field for the study of organizational change. Ideologically guided by the triple concepts of deregulation, commercialisation and efficiency, and propelled generally by legislation, New Zealand's economic transformation from a welfare to free market state has been acknowledged as being at the forefront of change and applauded world-wide (Boston et. al., 1996; Spicer et. al, 1996). However beyond the economic literature on New Zealand's change, few studies *"provide an inside look at the dynamics (and problems) of transforming"* (Spicer et. al, 1996: xvii). This is not confined to New Zealand alone, as *"there is a dearth of studies which can make statements about the how and why of change, about the processual dynamics of change"* (Pettigrew, 1988). The deregulation and corporatisation process of New Zealand electricity distribution companies provided a unique opportunity to fill this gap.

The first step in the process was to gain formal approval from the University ethics committee for the research. A research proposal was drawn up and submitted for examination. The research methodology and approach was ruled acceptable and subsequently approved (see Appendix 1.1). While waiting on approval I sought to develop a deeper understanding of the electricity distribution industry, a process Janesick (2000) refers to as warming up and preparation. Although made aware by coverage in the popular press of the

changes that the industry had been undergoing, my understanding of the intricacies of the field was scant. A wide array of secondary data sources such as newspaper articles, historical dialogues and annual reports were therefore used to gain familiarity with the industry's development. This orientation process assisted in grasping the fundamental strategic and structural issues associated with the sector's development and supported the feasibility of the research. It also enabled me to define the purpose for the study and refine a set of research questions upon which the analysis would focus (Miles and Huberman, 1994; Yin, 1994).

The primary motivation for the research was to utilise the unique opportunity that institutional change in the electricity sector presented us and develop a rich insight into the organizational dynamics of change in a discontinuous environment. With legislative changes having furnished the rationale and timetable for change, I was presented with the unique opportunity to record the process of change only. In particular, I became interested in specifically identifying the factors that influence the path that organizations follow when implementing change during a period of environmental turbulence (Nadler and Tushman, 1988; Strebel, 1994). This focus resulted in the development of two primary "*grand tour*" research questions (Creswell, 1994: 70):

1. Did electricity companies adopt similar or different change strategies?
2. What factors influenced the choice of change strategy in electricity companies?

These questions would provide a theoretical focus, or anchor, for the entire research process.

2.3 Research Design

My intention to generate theory through creating a rich description of the organizational change process led us to the conclusion that a qualitative methodology would best serve my purpose. Qualitative research methods offer social science researchers an open-ended or constructivist means of examining and understanding a complex social phenomenon such as organizational change first hand (Denzin and Lincoln, 2000; Cassell and Symon, 1994; Miles

and Huberman, 1994; Yin, 1994; Eisenhardt, 1989; Bryman, 1988b; Taylor and Bogdan, 1984; Bogdan and Taylor, 1975).

2.3.1 The Qualitative Research Paradigm

Confusion surrounds the nature of qualitative research, what it is and how it works (Van Maanen, 1983). Van Maanen (1983) states that *"the label qualitative...has no precise meaning...it is at best an umbrella term covering an array of interpretive techniques which seek to describe, decode, translate and otherwise come to terms with the meaning, not the frequency, of...naturally occurring phenomena in the social world."* (9).

Qualitative research rests on five *"intellectual undercurrents...(that provides) qualitative research with its distinct epistemology"* – *"phenomenology, symbolic interactionism, verstehen, naturalism and ethogenics"* (Bryman, 1988a: 50). In simpler terms the qualitative view of reality is markedly different from those of positivistic approaches. Rather than approaching research with *a priori* assumptions that there is one *"reality out there to be studied, captured, and understood"*, qualitative research methods contend that reality is socially constructed (i.e. multiple-realities) by individuals as they attempt to understand their situation through the development of meaning and order (Denzin and Lincoln, 2000: 9; Cassell and Symon, 1994; Patton, 1990; Bryman, 1988a: 52; Merriam, 1988; Bogdan and Taylor, 1975). The qualitative paradigm therefore focuses on interpreting and explaining this socially constructed reality within its dynamic and natural context, as opposed to imposing a *"static"* image of social reality, and allows the development of a *"thick"* description of everyday occurrences (Denzin and Lincoln, 2000; Miles and Huberman, 1994: 10; Bryman, 1988a: 101; Taylor and Bogdan, 1984; Wolcott, 1982; Bogdan and Taylor, 1975; Geertz, 1973).

As a result of the different paradigmatic approaches, qualitative data collection varies markedly from the traditional positivist approach typified by tools such as surveys. Rather than abstracting theories from the analysis of (typically) numeric data provided by remote participants, qualitative data generally takes the form of words *"based on observation, interviews, or documents"* (Miles and Huberman, 1994: 9) while the researcher becomes the *"instrument for data*

collection and analysis" (Merriam, 1988: 19; Bogdan and Biklen, 1992). In order to collect such data, qualitative researchers must win the trust of participants to gain access to information – often a long and complex process (Yin, 1994). Furthermore the data collection process itself is "*typically carried out in close proximity to a local setting*" (Miles and Huberman, 1994: 9). This generally takes the form of observation, structured or semi-structured interviews on one or more occasions, which can complicate the process and add to the time spent by the researcher in the field (Miles and Huberman, 1994; Yin, 1994).

The nature of the qualitative data collection process enables researchers to "*preserve chronological flow*" and go beyond "*explaining*" events to actually determining "*causality*" (Miles and Huberman 1994; 145 – 148). Consequently the utilisation of qualitative research methods such as ethnography (Bittner, 1967), grounded theory (Glaser and Strauss, 1967), participatory action research (Oja and Smulyan, 1989) and case studies (Whyte, 1955) has grown as researchers strive to accommodate context specific and temporal aspects of their research interest not available through the quantitative positivistic paradigm (Denzin and Lincoln, 2000; Yin, 1994; Tushman and Nelson, 1990; Johnson, 1987; Mintzberg and Waters, 1985; Pettigrew, 1985; Quinn, 1978). Further arguments for the qualitative paradigm include the ability of data to provide undeniable evidence that promotes the construction of new theory (Miles and Huberman, 1994; 10).

For the above reasons qualitative research becomes particularly attractive for the study of the process of organizational change. However there remains ongoing debate in regards to the contextual and subjective nature of qualitative research, particularly and not surprisingly from exponents of the quantitative paradigm (Tucker et. al., 1995; Bryman, 1988a; Cronbach, 1975). Such arguments are primarily concerned with methodological rigor (internal validity/reliability) and scientific generalizability (external validity) of results generated by a research paradigm reliant on subjective methodologies.

Howe and Eisenhart (1990) propose five standards to ensure methodological rigour in qualitative research that include appropriate and competent data

collection and analysis techniques, complete literature review and the revelation of researcher subjectivity as a means of countering such arguments (Merriam, 1988). Miles and Huberman (1994) in particular addressed this issue by providing “*detailed advice on a method-by-method*” basis for “*doing*” good qualitative research, but themselves acknowledge that their views may appear “*narrow-minded, even arrogant*” in light of the paradigm’s non-prescriptive approach (308 – 310). Patton (1989, 1987) suggests four types of triangulation – data, investigator, theory and methodological – as a means of addressing concerns of subjectivity. In this way it becomes possible to moderate for extreme subjective interpretation of qualitative data (Yin, 1994); an exemplary illustration of this is found in the research of Flynn et. al. (1991) who incorporated all four triangulation methods in their research on gender and collaboration.

Concern with generalizability arises from the synonymy with which qualitative research and case study research are treated (Bryman, 1988a: 87). However, although qualitative researchers are more concerned with the observation of process and generation of theory than statistical generalization (Eisenhardt, 1989; Merriam, 1988), Bryman (1988) suggests several measures that the qualitative researcher can take to address these concerns. These include a study of more than one case, the provision of a rich description to enhance “*transferability*”, the examination of more than one case by more than one researcher or seeking a case that represents “*typical*” or conversely “*deviant*” characteristics (Bryman, 1988: 87 – 90; Lincoln and Guba, 1985).

2.3.2 Summary

The qualitative paradigm is a phenomenological, open ended and holistic approach to observing and analysing situations within a “real life context” (Yin, 1994: 3; Bogdan and Taylor, 1975). This offers an alternative to the positivistic paradigm and enables researchers to study first hand the process of sense-making and understanding within its natural context (Miles and Huberman, 1994; Yin, 1994; Patton, 1989; Van Maanen, 1983). My choice to follow this paradigm stems from my desire to capture the process – or ‘how’ - of organizational change in a rich manner (Yin, 1994). Acknowledging the

validity/generalizability concerns associated with the paradigm, the principle aim and nature of my research question precluded the use of a quantitative approach for its inability to provide a rich, contextual and chronologically descriptive account of the change process as it was occurring (Merriam, 1988). Furthermore my personal strengths, interests and world-view biased me towards the qualitative approach. For these reasons I chose to employ case study as the research design.

2.4 The Case Study

Although often treated as such, the “case study is not a methodological choice but rather a choice of what to be studied” (Stake, 2000: 435). That is, the case is the subject of observation, while the methodology is the means by which a researcher gathers and interprets data provided by the subject (Stake, 2000; Merriam, 1988). Case studies can vary in complexity based on whether they: employ qualitative and/or quantitative methodologies; focus on individuals, groups or phenomena; include single- or multiple-sites (Stake, 2000; Miles and Huberman, 1994; Yin, 1994; Merriam, 1988). It is also crucial to consider the researcher’s motivation (intrinsic/instrumental) for using the case study design, which directly affects the cases descriptive or explanatory mode (Denzin and Lincoln, 2000; Stake, 2000; Yin, 1994 Bryman, 1988b).

2.4.1 A Definition

Utilising Stake (2000) and Merriam (1988: 9) I have defined and identified a case as a “*bounded system*” or phenomenon where patterns of behaviour, “coherence and sequence are prominent” and can be identified, contextualized and analyzed (Stake, 2000: 436). This provides a particularly useful basis for justifying my treatment of individual organizations as separate cases (units of analysis) in this research (Yin, 1994). Extending this logic, a case study is the in-depth analysis of such a “*bounded system*” with the intent of producing a descriptive account that aims to enhance my understanding of a particular phenomenon (Stake, 2000; Yin, 1994; Merriam, 1988). Yin (1994) defines the case study as “*an empirical inquiry that investigates a contemporary phenomenon within its real-life context especially when the boundaries between phenomenon and context are not clearly evident*” (Yin, 1994: 13). It is clear that my research aims met such criteria based on these definitions.

Therefore the collective instrumental case study was selected as a valid and appropriate means of investigating the phenomenon of organizational change.

The collective instrumental case study is a particular form of the research design that allows the researcher to observe and record phenomenon such as organizational change within context and, from that data, evolve or create theory (Stake, 2000; Merriam, 1998; Eisenhardt, 1989). As a qualitative form of research, its holistic approach retains data that allows the identification of temporal and causal relationships within several cases, providing researchers with the means of addressing the how question in a 'rich' manner – an opportunity not awarded by quantitative counterparts (Miles and Huberman, 1994; Yin, 1994; Van Maanen, 1983). Collective instrumental case studies are particularly applicable where the research aims to *"provide insight"* or *"redraw a generalization"* (Stake, 2000: 437). As a result, *"the case is of secondary interest...(and) plays a supportive role...(to facilitate) my understanding of something else"* (Stake, 2000: 437). This resonates well with the aim of this research. In this context, the analysis of organizational change in electricity companies serves a purpose beyond the descriptive account of the individual case and allows us to advance our understanding of organizational change theory generally.

2.4.2 Multiple Case Studies

By replicating the research design to incorporate several organizations I developed a multiple-case approach to the study of organizational change (Yin, 1994). Multiple-case study research allows the researcher to simultaneously look at the universal to *"build abstractions across cases"* (Merriam, 1988: 154) while trying to *"deepen understanding and explanation"* through the analysis and incorporation of the particular (Miles and Huberman, 1994: 173). That is, a multiple-case research design allows researchers to both acknowledge the unique within individual cases and avoid overemphasis of exceptional circumstances, which strengthens the creation of a *"more comprehensive"* and relevant general theoretical framework (Bryman, 1989; Eisenhardt, 1989; Merriam, 1988: 155).

Dependent on the level of analysis, multiple-case studies can be further classified as either holistic or embedded in nature (Yin, 1994: 39 – 40). Where an holistic design investigates a phenomenon from a broad (e.g. global) perspective, an embedded design looks in particular at the “subunit” level (e.g. divisional) effects (Yin, 1994: 41). As mentioned earlier, my interest lies beyond the individual case and can therefore be classified as holistic in approach.

Selection of the multiple-case design also addresses issues of generalizability raised by quantitative researchers. Although my aim was to observe the process of organizational change and generate theory rather than generalize about a population, I chose the multiple-case design as a means of countering such an argument as it is considered to be more “*robust*” and “*compelling*” than a single-case approach (Miles and Huberman, 1994; Yin, 1994: 45; Eisenhardt, 1989; Merriam, 1988). My choice to use the multiple-case design was based on the argument that by incorporating several organizations I would acquire a broader and “*deeper understanding*” of the phenomenon of change which would reduce the potential for one exceptional case to bias the development of theory (Miles and Huberman, 1994: 26; Eisenhardt, 1989; Bryman, 1988). Furthermore, the multiple-case approach was not employed with the intent of to follow a sampling logic and claim that my findings would “*represent*’ a larger pool” (Yin, 1994: 47). Instead, I employed ‘replication logic’ where I sought to develop a general theory that could predict whether cases would manifest similar or contrasting results when faced with the phenomenon of change (Yin, 1994: 45). In general, where results are predicted to be similar the cases are said to be literal replications, where results are dissimilar “but for predictable reasons” the cases are theoretical replications (Yin, 1994: 46). The selection of cases in this research conforms to the definition of theoretical replication, as the cases were chosen for “*theoretical, not statistical reasons*” (Eisenhardt, 1989: 537; Bryman, 1988; Lincoln and Guba, 1985).

2.4.3 Summary

The qualitative case study is a research design that can take many complex and varied forms. I have chosen the instrumental collective qualitative multiple-case design as it is particularly effective in answering the how and why

questions fundamental to explanatory research (Yin, 1994). Such a design lends itself to the generation of theory for its ability to:

- 1) Identify causal relationships and patterns of behaviour over time; and,
- 2) Acknowledge the importance of context;

when attempting to capture the effects of a contemporary phenomenon on a bounded system (Stake, 2000; Miles and Huberman, 1994; Yin, 1994; Eisenhardt, 1989; Merriam, 1988). The multiple-case design addresses concerns raised about generalization through replication logic, however I reassert the point the case remains of secondary interest to the generation of theory. In addition, authors like Greenwood and Hinings (1996) explicitly suggest the use of comparative case studies to study organizational change. Fox-Wolfgramm, Boal and Hunt (1998) also call for a multilevel perspective while studying organizational change.

2.5 The Process of Qualitative Data Collection

2.5.1 Research Site Selection

The case selection process first involved identifying the population of electricity companies and selecting potential participants. At the time that this research began there were 36 separate organizations and from this initial identification survey it emerged that electricity companies could be differentiated based on their size (based on the industry standard of customer numbers) and ownership structure (See Table 2.1). I deliberately chose to approach organizations that differed on these two variables (Eisenhardt, 1989). Although I was not concerned with the representative nature of the sample but with theoretical replication, I believed that selecting organizations with diverse forms would reinforce the 'robustness' of theory generation and placate those concerned with generalizability (Miles and Huberman, 1994; Yin, 1994; Eisenhardt, 1989; Pettigrew, 1988). In total 12 organizations were approached to participate in the study over an 11 month period.

2.5.2 Research Sites Access

The first point of contact with each organization was through letters of introduction addressed to each organization's CEO/Managing Director outlining the aim, intention and requirements of the research (Creswell, 1994: 148) (See

Appendix 1.2). Gaining access to each organization was a significant hurdle, as I had no informal means of contact, so it was imperative to gain the approval of these “gatekeepers” (Arskey and Knight, 1999; Creswell, 1994: 148).

	Trust Owned	Council Owned	Customer Cooperative	Council/Trust Combination	Whole/Part Private
Large	Electra Hawke's Bay Power <i>Mercury Energy</i> Northpower	Dunedin Electricity Southpower			CentralPower Power NZ Powerco TransAlta TrustPower WEL Energy
Medium	Central Electric <i>Counties Power</i> Eastland Energy King Country Energy MainPower NZ Marlborough Electric Tasman Energy Top Energy Waipa Power Waitaki Power Waitomo Energy Westpower	<i>Electricity Invercargill</i>	Electricity Ashburton Otago Power	Alpine Energy	Bay of Plenty Electricity <i>Wairarapa</i> <i>Electricity</i>
Small	Buller Electricity CHB Power ScanPower	Kaiapoi Electricity		Wairoa Power	<i>Citipower</i>

Table 2.1 Research Context: Selected and Final Participants (Selected in italics, Participants in bold)

I was particularly concerned that access would be denied due to confidentiality or time concerns as organizations were at the time experiencing significant structural and strategic changes. However despite my reservations there was a highly positive response to the request; seven organizations actively sought to participate by contacting me by telephone. Two declined outright while the remaining three organizations proved elusive despite the distribution of a follow up letter, fax and phone calls. All CEO's/Managing Directors of participating organizations expressed a keen interest to assist in the research process providing open access to any members of staff and secondary resources. Details associated with gaining access to each site was negotiated after an initial discussion with a senior staff member or the CEO's/Managing Director's personal assistant.

2.5.3 Participant Selection

With the direct support from the head of each organization, arrangements were made to interview managers and board members involved in a strategic management role. In all cases access to operational strategic heads was possible, however in several cases conflicting schedules limited the accessibility of board members. Time constraints in particular influenced the interview process in Mainpower, requiring that I conduct a group interview including the Managing Director (MD), Energy Services Manager and Network Manager. Legitimate concerns about whether this type of group interview could accurately capture individual views and differences without bias can be raised. While it is not possible to argue that group dynamics did not play a role in respondent reactions and attitudes in this instance, the data on later analysis did exhibit consistencies with the other cases. Consequently, the potential for bias should be acknowledged when the data recorded in the Mainpower case is read with the other cases.

The purposive nature of the selection process limited the number of participants to those that had a degree of strategic input and knowledge of the change process (Patton, 1990; Bogdan and Biklen, 1992) (See Table 2.2 below).

Defence of the purposive approach can be found in Miles and Huberman (1994), Creswell (1994) and Merriam (1988) who argue that as the qualitative case-study seeks theory generation selection of participants should be based on their ability to contribute to this process. In total thirty-eight individuals involved in the change process of each organization were interviewed in a semi-structured manner with a focus upon the process of strategic and structural change over the reform period. A few participants raised confidentiality issues, prompting me to assure all participants that individual names would not be included in the final presentation of the data. However most were more than happy to include other details such as their position within the organization.

Organization	Participants
Buller Electricity Limited	CEO Corporate Services Manager Operations Manager Network Manager
Dunedin Electricity Limited	Board Chairman CEO Assistant CEO/Contracting Manager Corporate Services Manager Operations Manager Network Manager Electrical Services Manager
Electra Limited	CEO Company Secretary/Support Operations Network Team Leader Marketing Team Leader Project Team Leader Sales Team Leader
Electricity Ashburton Limited	CEO Commercial Manager Network Manager Financial Controller
MainPower New Zealand Limited	Managing Director Energy Services Manager Network Manager (ONE INTERVIEW)
Power New Zealand Limited	CEO General Manager Network General Manager Contracting Manager Financial Services Manager Human Resources
Southpower Limited	Chairman Board Member Managing Director CEO Connetics (Contracting Company) General Manager Strategic Business Development General Manager Enersis (IT Division) General Manager Corporate Services General Manager Network Services General Manager Trading

Table 2.2 Organization and Interview Participants

2.5.4 Data Collection – Multiple Methods

Creswell (1994) and others (Miles and Huberman, 1994; Yin, 1994; Eisenhardt, 1989) identify numerous sources of qualitative data which can be classified under *“four basic types: observations, interviews, documents, and visual images”* (Creswell, 1994:149). In this research three of those four types were utilised in the collection of data on organizational change.

The primary method was via semi-structured but focused interviews conducted in a one-on-one manner (Creswell, 1994; Miles and Huberman, 1994; Yin, 1994; Eisenhardt, 1989; Patton, 1987). This methodology was selected as the most appropriate way to access data for two reasons. First, as organization change in the electricity industry was a contemporary phenomenon that had not been documented previously, it was the only method available to me that could

provide the appropriate data on the process of organizational change (Yin, 1994; Miles and Huberman, 1994; Eisenhardt, 1989). Second, although the use of quantitative tools would have provided data of a pre-specified nature on the variables involved in organizational change, I rejected such an approach as it would have had limited application in the generation of theory on the *process* of change. The use of semi-structured interviews provided an open-ended but targeted methodology that allowed inclusion of variables not considered when entering the field (Yin, 1994: 80).

The second source of data I utilised was historic documentary evidence (Creswell, 1994; Yin, 1994; Eisenhardt, 1989; Patton, 1987). Such evidence came in the two form: memos and strategic documents provided by participants during or following the interview and; other secondary evidence provided by various books and government departments that outlined the history and development of the industry pre- and post-deregulation. As such this data was not analysed but used to form a rich picture of the context in which organization change occurred.

The third source of data was direct observations made by the interviewer (Creswell, 1994; Miles and Huberman, 1994; Yin, 1994; Eisenhardt, 1989; Patton, 1987). During the process of interviewing notes were made of the interview “site”, noting such things as the “*condition of the work spaces or buildings*” and the general impression of the demeanour of staff that I came into contact; these were incorporated in a “*reflective*” write up of the interview process (Miles and Huberman, 1994: 66) (See Appendix 1.3). Particular attention was paid to the interviewee’s surroundings and attitude/mood as received.

By utilising multiple sources of data in the data collection process I was able to develop a longitudinal picture of change within each organization on the basis of “*converging lines of inquiry*” (Yin, 1994: 92). This convergence, referred to as triangulation, allowed us to confirm and place in context the issues and points raised in each interview (Yin, 1994; Patton, 1987). The use of multiple data sources also enabled us to address the issue of construct validity by

“essentially provide(ing) multiple measures” of the phenomenon of organizational change (Yin, 1994: 92).

2.5.5 Data Collection – Interview Process

The interview process followed a similar form in all cases. Having arranged a suitable time for each interview to occur, I travelled to each location. Upon arrival a secretary generally introduced me to each interview subject or, where several interviews occurred on the same day, another interviewee. After a brief discussion of a general nature to ‘break the ice’ each subject and I would retire to either a personal office or a general interview room such as a boardroom. I would reiterate the research objectives to re-familiarise the subject with the objective as outlined in the letter of introduction. Permission to use a tape-recorder during the interview was sought. The tape-recorder was not used as a *“substitute for listening”* as detailed interview notes were taken during the interview process; rather the recorder was used to ensure preservation of detail that could otherwise be missed (Yin, 1994: 86). Permission was denied in only one case, and justification for not relying on the tape recorder alone was found in another interview where the recorder failed to function correctly. Each interview lasted between fifty minutes to one-hour forty-five. During that time the interview focused on answering the “grand tour” research question through addressing a series of *“sub-questions”* (Creswell, 1994: 70) (See Appendix 1.4). However, following the semi-structure methodology, this question schedule was fully open ended to allow issues of importance not foreseen by me to be raised and elaborated on by the subject (Miles and Huberman, 1994; Yin, 1994; Merriam, 1988). Subjects were also given an opportunity at the end to sum up their personal views and address issues they believed might have been missed during the interview overall. This opportunity for individuals to speak on the process and implications of organization change in itself often led to the revelation of much data often on a more open and candid manner than had occurred during the early stages of the interview. On completion many would offer a drink where more informal conversation would continue. I had to make mental notes during this stage. Due to interview schedules, I would often be ‘on-site’ for two to four days. This allowed ongoing interaction with

management and general staff and gave me the opportunity to gain further insight into the general 'atmosphere' of each organization.

2.5.6 Researcher Bias

While the process of data collection and analysis followed a methodologically rigorous path, there always exists the potential for researcher bias to taint the interpretation of the data collected, and therefore the reliability with which subsequent findings can be attributed. Qualitative researchers therefore must be constantly aware of their own biases, preferences and preconceptions and their ability to determine not only the form and process of analysis, but ultimately the outcome (Merriam, 1988; Miles and Huberman, 1994). To avoid uncertainty in such matters exponents of this form of research, notably Wolcott (1982), Lofland and Lofland (1984), and Guba and Lincoln (1981), assert that researchers in the qualitative mode make personal preferences and preconceptions open to scrutiny.

I entered the PhD programme and this research with what, in retrospect, could be viewed as a naive and ideological belief in the virtues of privatisation and corporatisation. My preferences on entering the field for the data collection process were that public or government involvement in areas that could be run by the private sector was both economically and socially irresponsible. Consequently my initial bias was that change, preferably radical, was not only beneficial in the context of electricity companies, but positively desirable.

However, when I set out to analyse the raw data I found this set of values constantly challenged. The diverse range of strategic paths that each of the participating organizations followed, and the results and outcomes that followed, did not match my preconceived notions. This confused me, clouded my judgement and confused the issues. The compelling voice and consistency of the story that the data told forced me to reassess and re-evaluate my own biases, and it was not until I went through this process of self discovery that the data could emerge to tell the respondents own story of change. However, while this process was a personal battle over an entrenched ideological belief, it was not a solitary path, as discussions and debate with academic staff and personal

acquaintances helped me come to grips with my own biases and the data. Such informal means of triangulation were invaluable in the analysis process and enabled me to produce a much more neutral document. This thesis in no way presents an argument with a particular agenda and, while I believe that this thesis presents an accurate picture of the process of organizational change, awareness of this internal struggle will be of benefit to readers.

2.5.7 Summary

The process of qualitative data collection ran relatively smoothly despite initial concerns regarding access. After reviewing the population of organizations, sites were selected on the basis of theoretical replication logic. Twelve organizations were approached with seven choosing to participate in the research process. Access to each organization was arranged through the highest level, with all providing considerable support. I chose a purposive approach to participant selection to ensure that each could contribute significantly to meeting the research aim. In total thirty-eight individuals were interviewed over a period of eleven months using a semi-structured, open ended interview methodology. From this raw data and through the use of multiple methods I was able to commence with data analysis to develop a longitudinal picture of the organizational change process.

2.6 The Process of Qualitative Data Analysis

2.6.1 Interview Transcription and Verification

After each round of interviews had been completed, I returned to Christchurch to transcribe each tape verbatim. This process took between one and two days per interview to complete and resulted in 403 pages of transcribed data, or 241,946 words. On completion, copies of these transcripts were returned to each subject for final review and confirmation that the document was a fair and accurate representation of what was said. Furthermore, each interviewee was asked to add details that they thought necessary to further explain the process of organizational change. All transcripts were passed without significant amendments other than those made to spelling errors or terminology not correctly transcribed. Several subjects took the review opportunity to add detail where they thought appropriate. These were included in each interview at the

point marked by the subject. This process assisted in developing a converging line of inquiry and internal validity by providing an additional means of confirming the reliability and completeness of the data (Yin, 1994; Jick, 1983; Denzin, 1970).

2.6.2 Data Analysis – Coding

With verification from each participant completed the process of data analysis could begin. Qualitative data analysis remains a contentious issue, as there is no prescribed “*right way*” (Creswell, 1994: 153). Tesch (1990: 140) sees qualitative analysis as a process of “*de-contextualization*” and “*re-contextualization*” where data is systematically reduced to “*segments*” and “*codes*” (Bogdan and Bilken, 1992) that enable the identification of “*themes*” and “*patterns*” (Marshall and Rossman, 1989: 114).

This research relied on a manual process of sentence-by-sentence pattern coding (Miles and Huberman, 1994; Yin, 1994). Each transcript was read and re-read with recurrent themes and patterns noted in the margins (Rubin and Rubin, 1995; Miles and Huberman, 1994; Yin, 1994; Taylor and Bogdan, 1984). Pattern coding was chosen for its particular ability to: reduce data into clearer “*analytic units*”; be used during data collection and facilitate more focused enquiry; help evolve a “*cognitive map...for understanding*”; “*lay the groundwork for cross-case analysis by surfacing common themes*” (Miles and Huberman, 1994: 69). Pattern coding over the eleven-month data collection process assisted tremendously in understanding the change from a practical and theoretical standpoint.

The pattern coding process was completed with the assistance of a computer using a simple word-processing package (Microsoft Word), where complete quotes from each interview could be combined and categorised under thematic headings and sub-headings (See Appendix 1.5). This was a particularly time consuming process, but allowed for further review of the data and facilitated the combination, reclassification and understanding of thematic revelations (Merriam, 1988). The example provided in Appendix 1.5 illustrates data provided by Southpower participants of the impact of change on structural configuration. It is possible in this instance to see the categorization of data

from each interview based on the impact that change had on staffing numbers. Traditional themes such as those of decentralisation, centralisation and downsizing emerged from the data supporting established literature on organizational change are visible on the left. However other themes that were not predicted, such as the influence of physical location and importance of maintenance of ownership, emerged strongly from the data provided by all sites. Such revelations assisted in the generation of theory and after many iterations proved to be the *“conceptual hooks”* upon which the analysis is hung (Miles and Huberman, 1994: 72).

Miles and Huberman (1994) and Weitzman and Miles (1995) emphasize that *“the researcher who does not use software beyond a word processor will be hampered”* (Miles and Huberman, 1994: 43). However Weitzman and Miles (1995) also point out that there is *“no such workable thing”* as the *“ideal program”* (337) and that regardless of the power of software, it is the individual that ultimately determines the categorisation of data. I agree with Weitzman and Miles (1995) and my decision not to use a dedicated software package for analysis rested on three factors. First, I was comfortable with the process of manual coding having implemented such a process in previous research. Second, I did not have access to any form of data analysis software until well into the coding process. The time required for data re-entry would have negated any time advantage granted by the software. Third, Microsoft Word served my needs adequately with such tools as text search, and allowed for flexible addition and removal of themes and text – a process that can be difficult and time consuming in other packages (Weitzman and Miles, 1995).

2.6.3 Data Analysis – Narrative Construction

With the interview data coded I incorporated secondary sources of data to construct a *“thick”* narrative (Geertz, 1973) or *“case description”* (Yin, 1994: 104) that summarized the sequence of events and themes that constituted the change process within each of the participating organizations. The creation of each narrative was a long and iterative process that involved the writing, rewriting and the constant revisiting of theory and data (Dey, 1993; Strauss and Corbin, 1990; Glaser and Strauss, 1967). However the iterative nature of the

process allowed me the opportunity to gain a deep and intimate understanding of each case and provided a solid basis on which theory could be developed (Miles and Huberman, 1994; Yin, 1994; Eisenhardt, 1989). Accordingly I defined and redefined key concepts and categories as well as relationships linking them until it became apparent that the analysis had *"run its course"* (Miles and Huberman, 1994: 62) and that any further modifications would not substantially enhance the fit between theory and data – the condition of theoretical saturation (Strauss and Corbin, 1990; Eisenhardt, 1989; Lincoln and Guba, 1985; Glaser and Strauss, 1967). Two reviewers familiar with the raw data reviewed these narratives independently. Such investigator 'triangulation' ensured that subjective views were not clouding or misrepresenting the story of change (Patton, 1989, 1987).

An implication that can be drawn from this process is that the fit between the researchers conceptualization and the data may be good but not perfect. However, this argument can also be targeted at quantitative methods, as to find a set of independent variables that explains one hundred percent of the variation in a set of dependent variables is nigh impossible (Mintzberg, 1979).

2.6.4 Data Analysis – Cross Case Comparison

Once the process of pattern coding and narrative construction had been completed for each case it was possible for me to engage in the process of cross-case analysis to strengthen theoretical developments beyond the individual (Eisenhardt, 1989). This added a level of theoretical and thematic abstraction that enabled a deeper understanding of universal themes associated with the process of organizational change (Miles and Huberman, 1994; Eisenhardt, 1989; Glaser and Strauss, 1967). Significant similarities and differences emerged from the data through the *"juxtaposition of seemingly similar cases"* (Eisenhardt, 1989: 541). These contrasts provided us with the opportunity to identify factors that fundamentally influence the process of organizational change presented in the following chapters.

2.6.5 Summary

The data analysis process was a long, and at times tedious, process. After interviewing 38 individuals in seven different organizations a verbatim

transcription was made of each conversation. Once verified by participants, each script underwent a process of pattern coding, which helped reveal themes important in the process of organizational change. A 'thick' narrative case incorporating multiple sources of data was built on these themes to gain a longitudinal appreciation of the change process. From these descriptive narratives I engaged in cross-case comparison. This allowed a level of abstraction that, with liberal use of literature, enabled the development of a rich theoretical understanding of the process of organizational change.

2.7 Conclusion

The primary motivation of this thesis is to provide insight into the factors that influence and can explain the process of organizational change during a period of environmental turbulence. The field of inquiry is one sector of the electricity industry – that of distribution/retail companies – an area that offered a potential source of rich data having been subject to significant change for over a decade. My research question was formulated in an open-ended manner so that I could take a “*grand tour*” of the field and capture as much relevant data as possible on the phenomenon of change (Creswell, 1994: 70). The explanatory nature of this research required that I select a research paradigm that would accurately capture the process of organizational change, and were particularly concerned with retaining contextual and temporal variables.

Acknowledging concerns of validity and generalizability I chose to follow the qualitative paradigm, a phenomenological, open ended and holistic approach to observing and analysing situations within a “*real life context*” (Yin, 1994: 3; Bogdan and Taylor, 1975). In particular I employed the instrumental qualitative multiple-case study as the research design, a design that has strengths in being able to identify causal relationships and patterns of behaviour over time and acknowledge the importance of context. Through replication logic I address the issue of generalizability and validity, but remain adamant that such concerns remain secondary to the generation of theory.

The data collection process went well having gained the consent of top-level gatekeepers. Twelve sites had initially been selected on the basis of theoretical replication logic, but in the end seven chose to participate. Utilising a purposive

approach, 38 strategic managers and board members were interviewed using semi-structured interviews. From this raw data and through the use of multiple data sources I was able to commence with data analysis to develop a longitudinal 'thick' description of the organizational change process in each firm. From these descriptive narratives I engaged in cross-case comparison, which allowed a level of abstraction that promoted the development of a deep theoretical understanding of the process of organizational change. The theoretical developments and findings that were distilled from this process of iterative analysis are presented in the following chapters.

Chapter Three

Literature Review

3.1 Introduction

The following chapter examines the models, theories and concepts of organizational change. This body of work provides us with the framework for focusing, analysing, synthesising and making sense of our data to explain the divergent process of, and forces for, organizational change in seven of New Zealand's electricity distribution companies.

At present there is a dire need for research "*about the how and why of change*" both within the organizational change field in general and more specifically the electricity industry context (Pettigrew, 1988: 15). Literature to date on change in the electricity sector deals primarily with understanding and developing economic and regulatory arguments for electricity deregulation from an international (predominantly American) institutional perspective (Joskow, 1983; Gilbert and Kahn, 1996; Murray, 1998; Kuhn, 2000; VanDoren, 2000); although New Zealand as a recognised international leader in electricity industry deregulation does contribute significantly (McLay, 1992; Culy, 1992; Culy, Read and Wright 1995; Gunn, 1996; Read, 1997).

However, although it is necessary to acknowledge the underlying ideology and institutional (political, legal, economic) effects of such literature, in itself it does not capture and account for divergent responses to radical environmental change at the organizational level. In order to do this researchers must utilise the analytical framework established by organizational change theorists. This theoretical grounding provides us with a point of departure from which researchers can firstly make sense and secondly enhance and develop our theoretical understanding of the change process.

This chapter opens by exploring the theoretical distinction drawn between continuous and discontinuous organizational change (Tushman et. al. 1986; Nadler and Tushman, 1988). Examining this typology I introduce the concept that the environment is the primary trigger for organizational change and the dominant 'environ-centric' theories of organizational change are reviewed. I acknowledge that radical environmental change does not always lead to

organizational change and recognize the ability of strategic decision-makers to determine the change process. By incorporating the notion of strategic choice researchers can account for the influence that values, ideas and beliefs have on the organizational change process and enables us to introduce the concepts of 'design archetype' and change 'tracks' (Greenwood and Hinings, 1996, 1988). These concepts develop organizational change theory by integrating the environmental and strategic choice literature to explain divergent responses to institutional change as a product of strategic decisions based on values. Empirical studies of organizational change that specifically address the process from this perspective is not currently available and I direct attention to the need for examination of the values-organization-environment relationship to bridge this gap.

3.2 Organizational Change Models

Organizational change literature focuses on answering three fundamental theoretical questions: (1) what types of organization change exist, (2) how do organizations change and (3) why do organizations change. The contingency model of organizational change developed by Nadler and Tushman (1990) provides us with a useful framework for answering the first of these questions. This model identifies forms of strategic change by differentiating along the dimensions of extent (continuous and discontinuous change) and timing (anticipatory and reactive) of change (Tushman and Romanelli, 1985; Tushman et al., 1986; Nadler and Tushman, 1990; Meyer et. al., 1990; Strebel, 1994).

3.2.1 Continuous, Discontinuous, Reactive and Anticipatory Change

Continuous and discontinuous organizational change types lie at opposite ends of the change continuum. Continuous organizational change, synonymous with first-order, evolutionary, incremental change or convergence (Tushman and Romanelli, 1985; Tushman et. al., 1986; Bartunek and Moch, 1987; Meyer et al., 1993), are incremental in nature and made: *"to enhance the effectiveness of the organization, but within the general framework of the strategy, mode of organizing, and values that re already in place"* (Nadler and Tushman, 1990: 79). Continuous incremental changes can often demonstrate so little momentum as to be misconstrued for inertia (Tushman et. al., 1986).

In contrast discontinuous or second-order, revolutionary, radical, frame-breaking change involves a *“reformed mission and core values...altered power and status...reorganization...revised interaction patterns...(and) new executives”*, significant departures from historic practices that *“have an impact on the whole system of the organization and fundamentally redefine what the organization is or change its basic framework, including strategy, structure, people, processes and (in some cases) core values.”* (Tushman and Romanelli, 1985; Tushman et. al., 1986: 37 – 38; Bartunek and Moch, 1987; Nadler and Tushman, 1990: 79; Meyer et al., 1993; Van de Ven and Poole, 1995). Discontinuous change is *“difficult and risky”* and can triggered by a change in *“institutional or market contexts” “leadership”*, or a decline in performance (Romanelli and Tushman, 1994; Greve, 1998; Newman, 2000: 604). Nadler and Tushman (1989; 1990) and later Strebel (1994) further differentiate organizational change as either reactive or anticipatory. Reactive change is made in *“response to some external event”* while anticipatory change is made *“in anticipation of events still to come”* (Nadler and Tushman, 1990: 79).

3.2.2 Typology of Strategic Organizational Change

By differentiating between continuous, discontinuous, reactive and anticipatory change, Nadler and Tushman (1990) were able to create a typology of strategic organizational change based on the intensity and severity of discontinuity; Tuning, Adaptation, Re-orientation or Re-creation (80) (See Table 3.1).

Types of Organizational Changes		
	Incremental (Continuous)	Strategic (Discontinuous)
Anticipatory	Tuning	Re-orientation
Reactive	Adaptation	Re-creation

Table 3.1 Nadler and Tushman’s (1990: 80) Typology of Organizational Change.

Tuning refers to *“incremental change made in anticipation of future events”* seeking increases to efficiency without *“any immediate problem”*; Adaptation is *“incremental change made in response to external events”*; Reorientation is major strategic change made in anticipation of *“external events that may ultimately require change”*; Re-creation is *“strategic change necessitated by external events...that threaten the very existence of the organization”* (Nadler and Tushman, 1989: 197).

3.3 Organizational Change Theories

Although the model of Nadler and Tushman (1990) provides us with a useful but rudimentary tool for assessing and categorising organizational change retrospectively, to more fully understand the process (the 'how' and 'why') of change we must more explicitly examine the organization-environment relationship.

Four major theories endeavour to explain organizational change: contingency, resource dependence, population ecology and institutional. Each argues that change is externally motivated by the organization's need to remain aligned with the environment (Nilakant and Ramnarayan, 1998). They argue that organizational change is driven by a need to reduce uncertainty and increase stability by aligning internal strategies and structures with the changing demands of the operating environment (Burns and Stalker, 1961; Chandler, 1962; Woodward, 1965; Lawrence and Lorsch, 1967; Perrow, 1967; Hage and Aiken, 1970; Blau, 1970; Aldrich, 1972; Van de Ven and Drazin, 1985; Tushman et. al., 1986). The rate and extent of environmental change is determined by the interaction and demands of socio/cultural, economic, physical and technological factors (Emery and Trist, 1965; Duncan, 1972; Shortell, 1977; Tushman et. al., 1986; Ford et. al., 1988; Nadler and Tushman, 1989; Scott, 1992; Van de Ven and Poole, 1995, Newman, 2000). A change in any one of these factors can result in organizations being 'misaligned' with the demands or expectations of the operating environment. This can manifest itself within the organization as operational and financial under-performance, requiring strategic redirection and structural adaptation (specialisation/integration) to achieve fit (Dunbar and Goldberg, 1978; Nystrom and Starbuck, 1984; Weick, 1987; Donaldson, 1995). Empirical studies support the environment-structure (Burns and Stalker, 1961; Chandler, 1962; Lawrence and Lorsch, 1967; Thompson, 1967; Nadler and Tushman, 1988) and size-structure (Child, 1975; Khandwalla, 1973) linkage.

In a similar vein resource dependence theory, population ecology theory and institutional theory deal with organizational change from a shared perspective with each arguing that organizational change is driven primarily by factors

external to the firm. However each theory differs in its treatment of, and approach to explaining, the environment-organization relationship.

Resource dependence theory (Pfeffer and Salancik, 1978) explains organizational change as a *strategic* (intra-organizational) response to the (extra-organizational) problem of resource acquisition (Donaldson, 1995). Embedded within a process of political interactions, Pfeffer and Salancik (1978) argue that decision makers actively adapt and change their organization to manipulate the operating environment to 1) reduce reliance on other organizations and 2) promote stability. However Pfeffer and Salancik's (1978) argument denies managers the ability to create real change in the environment and organization and, by emphasizing the view that organizations seek autonomy, fails to acknowledge the interdependent nature of organizational activities (Donaldson, 1995).

Exponents of population ecology theory, primarily Hannan and Freeman (1977 and 1989) and Aldrich (1979), extend Darwin's theory of evolution and natural selection to explain change in populations of organizations. Populations of organizations can be identified by their conformity to an "*elaborate taxonomy*" or blueprint of formal structure, activities and normative order (Young, 1988: 3). Internal factors such as history and management and external factors such as legislative requirements determine an organization's form and subsequently fit with the environment (Hannan and Freeman, 1977; Aldrich, 1979). Based on the degree of alignment with the environment, an organizational form may be selected by the environment to survive and occupy a niche that allows the acquisition of resources, or equally the environment may choose to reject the form and leave it to 'die' (Hannan and Freeman, 1977 and 1989; Aldrich, 1979). Although empirical support for the argument is strong (Hannan and Freeman, 1989; Rao and Neilsen, 1992) population ecology theory is weakened by its treatment of organizational change as a process of selection and inability to define or distinguish different rates of change (Young, 1988; Donaldson, 1995). Furthermore, treatment of the organization 1) at the "species" level and 2) as a cognizant entity fails to acknowledge the influence of managers in the

development and operation of organizations (Silverman, 1970; Weick, 1979; Young, 1988: 2; Donaldson, 1995; Nilakant and Ramnarayan, 1998).

Institutional theorists (DiMaggio and Powell, 1983; Zucker, 1987) argue that an organization is shaped by ideas, values, norms, myths and symbols that have gained legitimacy through their implementation and embodiment in the organizational environment (Donaldson, 1995). Institutional norms and values directly affect an organizations configuration in either a coercive, mimetic or normative fashion (DiMaggio and Powell, 1983). Organizations adapt and change in response to such pressures to achieve legitimacy, either wholly integrating the new ideas or adapting in a loosely coupled fashion where an appearance of conformity exists (DiMaggio and Powell, 1983; Meyer and Scott, 1983). Although the argument that coercive 'state' pressures cause organizational change does have empirical support (Tolbert and Zucker, 1983; Fligstein, 1990) the validity that isomorphic and normative pressures significantly contribute to an organization's configuration is less well supported (Donaldson, 1995).

3.3.1 The Need for Theoretical Development

Despite strong empirical evidence in support of all the above theories of organizational change, each has generally been criticised for their deterministic, anti-management approach (Donaldson, 1995). Although formulated at different levels each theory incorporates two implicit assumptions.

First, organizational change is seen as adaptive in the sense that organizations either respond to environmental changes or act in anticipation of environmental changes. In both instances, organizations respond to either actual or anticipated changes in the environment, which are assumed to be independent of the organizations. While the possibility of organizations influencing the environment is acknowledged (Pfeffer & Salancik, 1978), attention has largely focused on organizational responses to environmental change. This is in keeping with a functionalist tradition that views environmental conditions as determining organizational characteristics (Burrell & Morgan, 1979; Child, 1997). Thus, all contemporary theories within this functionalist paradigm such

as structural contingency theory (Donaldson, 1995), organizational ecology (Hannan & Freeman, 1989) and institutional theory (Powell & DiMaggio, 1991) emphasize environmental influence on the organization rather than organizational influence on the environment. In doing so these theorists do not adequately account for the 'free will' or 'strategic choice' available to organization decision-makers in managing uncertainty (Child, 1972; Bourgeois, 1984; Whittington, 1989; Donaldson, 1996).

The strategic choice perspective is an exception to these approaches since it views change as a political process and incorporates both proactive and reactive initiatives by the organization (Child, 1997). Child (1972) in particular highlights the importance of strategic choice in the process of organizational change, stressing that "*managerial perceptions, values, interests and power*" create an enacted environment that determine the extent of strategic-structural re-orientation (Chandler, 1962; Weick, 1995; Donaldson, 1996: 65; Child, 1997). A large body of literature has developed to support this thesis focusing variously on; the CEO's background (Fligstein, 1985), attitudes (Lewin and Stephens, 1994) and leadership style (Tichy and Ulrich, 1984; Tichy and Devanna, 1986; Kanter et al., 1992; Dunphy and Stace, 1993) as well as the values, preferences and alignment of the 'dominant coalition' of senior management (Cyert and March, 1963; Nadler and Tushman, 1990). By incorporating the notion of strategic choice we can look beyond the environment-organization theories and recognise the influence that perceptions and values have on the change process. Yet rather than nullify the environmental approach we can strengthen its ability to explain organization change by acknowledging that the environment-organization relationship is socially constructed and interactive rather than deterministic in nature (Weick, 1969; Giddens, 1979; Giddens, 1984; Donaldson, 1995). That is, in contrast to the traditional analysis of organizational change where the environment and organization were treated as cognizant entities, we are able to more accurately treat organizational change as a social phenomenon that occurs in an enacted environment (Weick, 1969; Giddens, 1979; Giddens, 1984; Young, 1988).

Second, change theories implicitly assume that either the top management or the dominant coalition (Cyert & March, 1963) in the organization orchestrate organizational responses to environmental changes. This is in keeping with the separation of ownership and control in the corporate form. It is assumed that the top management will act in the best interests of the owners of the corporation – an assumption that is challenged by economic theories such as agency theory (Jensen and Meckling, 1976; Fama and Jensen 1983). The separation of ownership and control is quite appropriate when one is studying change in large corporations in a context with relatively stable political and economic institutions. Literature on organizational change, largely developed in the North American context, emphasizes organizational responses to environmental shifts associated with competitive pressures and technological changes (Tushman & Anderson, 1997). The thriving literature on innovation and new product development exemplifies this approach (Tushman et al, 1997). However such environmental shifts rarely, if ever, lead to changes in ownership and governance in a way that can alter the organization's ownership and governance structure. Therefore, change is rightly seen as an organizational response facilitated by the top management or the guiding coalition. However, if the environmental shift, such as an institutional change, changes the ownership and governance in an organization, then these ownership and governance issues need to be taken into account while examining the dynamics of organizational change. The phenomenon of privatisation is an example of an institutional change that affects an organization's ownership and governance structure. Therefore, it is reasonable to expect ownership and governance issues to play a role in shaping the dynamics of organizational change under privatisation or deregulation.

Generally, organization change theories remain silent on the effect that ownership and governance has on the actual process and extent of change. However, an emerging body of literature (Buchanan and Badham, 1999) that focuses on the importance of organizational politics argues that the extent and nature of change required, the urgency with which change is required and its acceptability to stakeholders determines the change strategy and political approach/intensity employed by decision-makers. Buchanan and Badham

(1999) have developed a four quadrant model that suggests where the purpose and methods for change are clear, and is acceptable to stakeholders it can be introduced in an apolitical and participative manner. Conversely, where change is required, the purpose and methods of implementation are unclear and threatens the values and ideals of stakeholders it is necessary for decision-makers to 'win the turf war' through politicising the issues. In this situation Buchanan and Badham (1999) argue that strategic decision makers must utilise the ability of political interplay in order to forcefully manage the change process, a method the authors term 'power-assisted steering'. However, rather than the pejorative and often dismissive view that politics is necessarily underhanded and unethical, the authors view the politicisation of change as a legitimate and necessary means of implementing change. By acknowledging the importance that politics plays in the change process researchers can further expand the strategic choice perspective.

To summarize, although organization and strategic choice theories provide researchers with a solid basis for the analysis of organizational change from an 'enviro-centric' perspective, there remains a "considerable amount of unexplained variance" when trying to trace the development of organization types and change (Hinings and Greenwood, 1988: 42). These theories do not adequately account for internal factors for change, nor explain why firms in specific institutional sectors continue to respond differently to the same institutional change (Fox-Wolfgramm et. al., 1998; Buchanan and Badham, 1999; Newman, 2000). What is required is an extension of the theories of organizational change that acknowledges the role ownership and governance plays in the change process and accounts for the divergence of organizational responses to uncertainty by simultaneously acknowledging environmental (external), organizational (internal) and human (social) variables.

3.4 Organizational Archetypes and Tracks

The work of Greenwood and Hinings (1988, 1993, 1996) provides a convenient framework to study first- and second-order organizational change from such a perspective. Greenwood and Hinings (1988, 1993, 1996) contend that theorists must understand organizations both in terms of structures and patterns of

ideas, beliefs and values in order to understand why organizations respond differently to environmental uncertainty. The pattern of underlying ideas, beliefs and values is conceptualised as an 'interpretive scheme' upon which decisions for organization change are based (Giddens, 1979; Ranson et. al., 1980; Hinings and Greenwood, 1988; Weick, 1995). Greenwood and Hinings (1988) combine an organization's structural aspects and interpretive scheme into a single concept called a 'design archetype', defined as a "set of structures and systems that reflects a single interpretive scheme" (Greenwood and Hinings, 1993: 1052). The concept of the 'design archetype' extends the early prescriptive taxonomy/typology literature (Chandler, 1962; Pugh et. al, 1969; Miles and Snow, 1978; Mintzberg, 1978: 944; Mintzberg, 1979; Miller and Friesen, 1980a) to acknowledge the role that values, willingness and ability for action play in determining a set of preferences for strategic and structural design (Agyris, 1973; Giddens, 1979; Miller and Friesen, 1980a; Beyer, 1981; Stinchcombe, 1990).

Drawing on neo-institutional theory (DiMaggio and Powell, 1991; Scott, 1995), Greenwood and Hinings (1993) suggest that design archetypes may be institutionally and context specific – that is a limited number of 'legitimate' templates or configurations may exist in a given institutional or operational environment. Furthermore they argue that mimetic, normative and coercive institutional forces lead organizations to converge towards what is perceived by an organization's interpretive scheme to be an institutionally legitimate design archetype (Greenwood and Hinings, 1993). As a result Greenwood and Hinings (1988, 1993) suggest that it is possible to identify and classify organizations into three archetype states based upon the coherence of the relationship between the interpretive scheme and the organization's structural and strategic configuration (See Table 3.2 overleaf) (DiMaggio and Powell, 1991; Scott, 1995).

The interpretive scheme–structure connection suggests that organizational change will occur only where a misalignment between the two is perceived to be problematic by strategic decision-makers (Greenwood and Hinings, 1988). Misalignment could be caused variously by changes to the institutional

environment, management or ownership of the organization, events that have the capability of introducing sets of ideas and values that contradict established strategic and structural norms (Greenwood and Hinings, 1988: 303-304).

Archetype	Description
Archetype Coherence	Structure and processes are consistent with and reinforce the interpretive scheme.
Embryonic Archetype Coherence	Structure and processes nearly consistently reflect the ideas and values but there is some misfit.
Schizoid Incoherence	Two contradictory sets of ideas and values exist in the organization.
Table 3.2: Archetype Descriptions (Greenwood and Hinings, 1988: 303-304)	

This misalignment may cause strategic decision-makers to reassess the ‘design archetype’, based on their perception of alignment with the organization-environment relationship, and implement change. Greenwood and Hinings (1988: 304) present this process of realignment as interpretive “de-coupling” and “re-coupling” and propose that the path an organization follows in its attempt to maintain archetype coherence can be captured as change ‘tracks’.

‘Tracks’ trace the path organization decision-makers follow as they seek to maintain value-structure-environment coherence by moving within or between archetypes over time (Table 3.3 overleaf) (Hinings and Greenwood, 1988: 28). In their simplest form, tracks that move within archetypes are analogous to continuous/incremental change, while those that move between archetypes conform to the notion of discontinuous/radical change (Tushman and Romanelli, 1985; Nadler and Tushman, 1990; Greenwood and Hinings, 1988). Four ‘prototypical tracks’ have been developed that Greenwood and Hinings (1988) suggest extend Nadler and Tushman’s (1990) model by capturing the temporal and dynamic nature of change as organizations seek archetype coherence. Each track varies in complexity as they trace an organizations’ movement between ‘convergent’, ‘embryonic’ and ‘schizoid’ archetype states.

The tracks of ‘inertia’ and ‘aborted excursions’ emerge as a result of the dominance of the existing interpretive scheme. The organization’s configuration remains unchallenged as the extent of change is restricted to the

tuning or adaptation of structures and processes aligned with the traditional values and beliefs of strategic decision makers (Nadler and Tushman, 1990).

Track	Description
Inertia	Consistent structural adjustments aligned with prevailing interpretive scheme.
Aborted Excursions	Limited 'decoupling' of interpretive scheme from structure later reversed with archetype retention.
Reorientations (Transformations)	Full 'decoupling' later 'recoupled' with a new structure – design archetype
Unresolved Excursions	Incomplete 'decoupling' without completed 'recoupling'.
Table 3.3: Track Descriptions (Greenwood and Hinings, 1988: 304-309)	

The 'aborted excursion' differs from inertia in that the organization briefly flirts with the idea of change only to reverse the process to return to the status quo. 'Re-orientations' are complex in nature and may follow a track where change is implemented variously in a linear, oscillating or delayed fashion. 'Re-orientations' reflect a complete transformation of interpretive scheme and organizational configuration. 'Unresolved excursions' represent a sustained period of incoherence where organizations remain caught between "two contradictory sets of ideas and values" (Hinings and Greenwood, 1988: 28).

Although Greenwood and Hinings (1988) offer distinct 'prototypical tracks' of organizational change, they suggest firms are less likely to "move between archetypes" or engage in second-order change but instead converge towards a prevailing archetype to meet established institutional norms (Greenwood and Hinings, 1993: 1058). The reason that Greenwood and Hinings (1988) give for such convergence is that in most organizations the 'interpretive scheme' is strongly embedded (or 'tightly coupled') in the institutional context. The assertion that most organizations will seek convergence and avoid second order or archetype change has found empirical support in a study by Meyer and colleagues where, despite environmental upheavals, second-order change occurred only thirty percent of the time (Meyer et. al., 1990; 1993; Greenwood and Hinings, 1993). This and other empirical studies (Miles and Snow, 1978; Miller and Friesen, 1980; Ranson et al., 1980; Walsh et al., 1981; Kimberley, 1987; DiMaggio and Powell, 1991; Scott, 1995) support the proposition that the interpretive scheme influences and restrains strategic choice by selectively

monitoring and determining an organizations domain of operation, principles of organizing and criteria for performance evaluation, creating in itself a 'legitimate' institutional framework.

This may help explain the findings of Newman (2000). In a study of Eastern European firms faced with rapid institutional change, Newman (2000) found that radical institutional and environmental change did not always lead to discontinuous organizational change. Instead an inverted U-Shaped relationship existed between institutional-level and transformational, second-order organizational change. To explain this convex relationship Newman (2000) proposed that too much institutional change neutralized the validity of traditional organizational templates and created organization wide confusion and uncertainty that inhibited the ability of strategic decision makers to make sense of the environment, learn and implement second-order change (Levitt and March, 1988). This also supports the argument of Buchanan and Badham (1999) of the importance of politics in the change process.

Conversely where changes to an 'interpretive scheme' challenge the organization-environment relationship rapid organizational change can occur (Greenwood and Hinings, 1996; Newman, 2000). In other words the extent, direction and nature of organizational change is not so much dependent on the organization-environment alignment, but more with the level of dissatisfaction, pattern of value commitments and capacity for action exhibited by strategic decision makers (Stinchcombe, 1990; Fox-Wolfgramm, Boal and Hunt 1998).

In summary, the 'design archetype' and change 'track' concepts provide us with novel approach to further our understanding of organizational change. By simultaneously acknowledging the importance of internal and external forces for change, Greenwood and Hinings' (1988) conceptualisation extends change theories beyond their structure-environment focus to incorporate the empirically proven effects that strategic choice and values have on organizations and the change process.

3.4.1 Summary

Review of anecdotal and empirical evidence has made it clear that while the environment is the primary trigger for organizational change, it does not always lead to organizational change. Instead, the values, ideas and beliefs of strategic decision-makers can influence the organizational change process. Greenwood and Hinings (1988, 1993, 1996) provide researchers with the ability to acknowledge the significant impact that an interpretive scheme can have on strategic and structural design through their conceptualisation of a 'design archetype', defined as an institutionally determined template or configuration of strategy and structure. This thesis argues that organizational change will only occur where strategic decision-makers perceive that there is a misalignment between an organization's configuration and the environment. Empirical studies of organizational change that specifically address the change process from this perspective and that examine the values-organization-environment relationship are required.

3.5 Towards a New Model of Organizational Change

To date, studies taking the environmental approach have dominated the field. This has provided researchers with a rich theoretical and empirical basis upon which the cause and effects of organizational change can be studied. The environmental approach has enabled researchers to establish that it is possible to create a typology of organizational change based on the extent and timing of change (Nadler and Tushman, 1988). It has also provided a means of understanding change as a political (resource dependency theory of Pfeffer and Salancik, 1978), ecological-sociological (population-ecology theory of Hannan and Freeman, 1977 and Aldrich, 1979) and sociological (institutional theory of DiMaggio and Powell, 1983 and Zucker, 1987) process.

However, despite their popularity contingency models and theories, with their focus on the environment as the cause of organizational change, fail to adequately account for the effect that individuals or groups have on the organization (Donaldson, 1995). That is, although the environment plays a key role in organizational development and operation, we must remember that the values and beliefs of individuals (particularly those of strategic decision makers) create perceptions of the environment that determine the final structural and

strategic configuration of organizations (Giddens, 1979; Greenwood and Hinings, 1988; Weick, 1995). The theoretical work of Greenwood and Hinings (1988, 1993, 1996), I suggest, bridges this gap with their theory of 'design archetypes'. By incorporating the ideas of strategic choice theory into an institutionally based model of change 'design archetypes' account for why organizations facing the same institutional change follow different paths. Furthermore, by acknowledging that 'design archetypes' are specific to industries or sectors – that is embedded within historic and institutional (structural, strategic, cultural) norms – the analysis tool is particularly relevant to the study of organizations within a sector facing discontinuous change such as deregulation.

However, although Greenwood and Hining's (1988) theory appeals to intuition, their propositions have not been tested empirically. In general there remains a real shortage of empirical research that can confirm and elaborate on much of the theoretical arguments to explain the 'how and why of change' (Pettigrew, 1988: 15). Furthermore researchers don't have a theory to explain why one type of change occurs rather than the other or how the process of change proceeds within the firm (Newman, 2000). Therefore, the current study seeks to contribute to the literature through an empirical study of differing organizational responses to institutional change.

Chapter Four

Cases of Archetype Inertia

4.1 Introduction

This chapter describes the process of organizational change implemented in three of the organizations that form this research as experienced by the senior management of each. In response to environmental change associated with the deregulation of the electricity sector these organizations – Buller Electricity Limited (BEL), Electricity Ashburton Limited (EAL) and MainPower Limited (MPL) – followed a similar reactive and adaptive process of organizational change. The extent and scope of change implemented conforms to Greenwood and Hinings' (1988: 304) definition of archetype inertia where "consistent structural adjustments aligned with prevailing interpretive scheme" were made.

The process of organizational change is traced in depth through the use of direct quotes from participants, which are highlighted in the text through the use of italicisation.

4.2 Buller Electricity Limited (BEL)

4.3 Overview

Buller Electricity Limited (BEL) is an electricity distribution and retail company based in the small town of Westport on the west coast of New Zealand's South Island. BEL supplies electricity to the northwestern region of the west coast, a geographically rugged distribution area of 4,654 square kilometers. However, despite the large supply area, BEL remains one of the country's smallest electricity companies, with thirty staff serving approximately 4,000 predominantly rural customers. While its core activity is electricity distribution, BEL also provides energy retail, contracting, design, construction, and inspection, testing and appliance retail services. The Buller Electric Power Trust (BEPT) wholly owns BEL. The BEPT succeeded the Buller Electricity Power Board (BEPB) (established 1948) in 1993 after a consumer vote, in accordance with the requirements of the Energy Companies Act (1992).

The case of BEL is one that illustrates a process of incremental and reactive organizational change. Despite facing significant institutional change forced upon the electricity sector by legislation, BEL's strategy, structure and culture remains rooted to its past. The following section outlines the history, context and specific changes undertaken by BEL in response to deregulation.

4.4 The Electricity Archetype in BEL

Prior to the deregulation of the sector, Buller Electricity's predecessor the BEPB was an organization that played an integral part in the community with a long history and association with the Buller district. The BEPB traditionally played an important role in the community - *"the company has always had a very high profile"* (CEO), not only because of the importance of electricity but also *"because it is one of the largest employers"* (Operations Manager). The BEPB's role in the community as an electricity provider and social organization meant that the BEPB, as with *"every little power board had their own sort of identity"* (Operations Manager) that the organization and community cherished.

4.4.1 Organization Ownership and Strategy

As with all electricity power boards nation-wide, ownership of the BEPB was with the community. A board of trustees comprised of local members elected

by the public every three years closely monitored organization operations. This arrangement had significant strategic implications for the BEPB.

The BEPB trust board was charged under legislation to ensure that the BEPB operated in an effective manner, providing electricity to all regardless of cost. However effectiveness was not the sole concern of the board. Public ownership and interest in the BEPB due to its status in the community meant that board members, reliant on public opinion for re-election, also unofficially ensured that a low cost strategy was maintained. This community focus saw the BEPB offering power prices and other services at a subsidized rate, benefiting the consumer/elector financially.

"The goals or the objectives of power companies were very similar to the local authorities. (They were) community owned and try(ed) to provide reasonable prices for the district" (Corporate Services Manager). "All cost was borne a hundred percent by the Buller Electric Power Board. If a customer was connected we paid for the service – we paid everything" (CEO). "Under the old power board structure we (were) always trying to do work at the company's expense for the benefit for the customer" (Operations Manager).

The BEPB played an important social role in the Buller district. It not only provided electricity for the community, but also – due primarily to its status as a publicly owned trust – maintained a social service role by ensuring that it provided ongoing employment for members of the local community. Consequently the BEPB played an integral role in both the economic and social well being of the community.

"We had more of a social aspect (focus) of trying to provide employment in the district, providing support to the community by the way of a number of grants. So it's very much a community focus" (Corporate Services Manager).

This is particularly evident in the rationale used for advertising the organization's product, which was not solely driven by a need to increase sales.

"We've always supported the local newspaper (and) we've always spent a significant amount of money on advertising our product – the first (reason) is to make the newspaper viable and (the second) to try and increase the sales of electricity" (CEO).

In the pre-deregulation period, BEL was a typical example of the Electric Power Board (EPB) archetype. The configuration of ownership, management and

organizational structure, the strategic focus and culture all conformed to the established norms of other electricity companies nation-wide.

4.4.2 Organization Structure

The organization structure of the BEPB also conformed to the norms of the sector. Despite its small size, the BEPB was highly bureaucratic with several layers of management. Typical of power companies, the organization's structure reflected the two dominant disciplines present within the firm – engineering and financial. A company secretary controlled the financial aspects of the firm, while a chief engineer took control of both the physical maintenance of the electricity network as well as the overall organization.

"We had the old power board structure whereby the engineering come under (the) engineer, and (the) secretary had the administration. There was about a five layer management structure" (CEO).

However in 1988 the BEPB rationalized the management structure to bring both managerial positions under the CEO position. This decision was forced on the trust board by the simultaneous retirement of both chief engineer and secretary treasurer positions. In 1988 the trust board voted to appoint the incumbent chief accountant – a local resident who had spent his entire career with the BEPB – as CEO.

"I started on the 23rd May 1977 (under) the old Buller Electric Power Board. (At that time) the company had as its management structure an engineer and a secretary treasurer. (On) the 30th June 1988 I became chief executive, which was the first stage of having one person controlling the operation of the company. What happened was that both the incumbent and secretary treasurer retired at the same time, so (the board employed one CEO) instead of recruiting different people" (CEO).

4.4.3 Organization Culture

The strategy and structure of the BEPB contributed to development of a distinct power board culture defined by an autocratic management style, an engineering focus and a 'job for life' mentality.

The bureaucratic and hierarchical structure of the BEPB, as well as the 'paternal' approach of the trust and CEO, affected the management style within

the organization. As all operational decisions had to be approved by the CEO and/or trust board, the management style was highly formalized.

"It was very much (the) CEO was at the top and the managers reported to him – it was very much a straight line management (and) the CEO was in charge of the whole process" (Corporate Services Manager). "The CEO had to convince the board" (Operations Manager).

This exemplified a command and control approach and as such there was little demand for input into managerial decisions from those at lower levels of the organization.

"We were (operating) in the old traditional ways. You shut up and did it (your job) that way. There was a bit of a culture that they (employees) do what we tell them to do" (Network Manager).

This created problems in the organization, in particular a lack of information sharing, as employees retained operational knowledge for themselves to ensure the maintenance of job security and status.

"In the old days it (operational knowledge) was kept up here (in the head) like the foreman or the supervisor might keep all the switching systems in his head" (Operations Manager).

Furthermore the level of long term strategic planning within the BEPB was minimal: *"Traditionally decisions, particularly to expenditure, were made on gut feeling" (Network Manager).*

With the BEPB's strategic focus on electricity provision at a subsidized price, the organization was dominated by an engineering culture focused on building and maintaining the physical network.

"We had 39 staff and of course it was run by engineers" (CEO). "There was definitely a culture here in this company (that focused on) line crews to get the work done pretty quickly pretty smartly" (Network Manager). "Everything related to looking after the network lines and poles and substations" (Corporate Services Manager).

Not only did engineers dominate the culture, but it was also defined by the composition of employees. Most employees were from the Buller region with very few "outsiders" included:

"We were recruiting from within the district. All the staff were born and bred here in the area – basically 99 percent of the staff here were born and bred" (CEO).

Many had been with the organization their entire working life:

"Our staff have been very stable, I think the shortest is five years is our youngest employee" (CEO).

This stability was attributed to several variables:

1. The BEPB's employment policy; *"Basically (in) the old Buller Electric Power Board you had a job for life" (Operations Manager).*
2. The BEPB's relatively high wages; *"It's (working for the power company) seen as probably one of the better paying positions (Corporate Services Manager). 'We haven't had a lot of staff turnover but obviously when you pay, especially for females, the highest – it might be as high as the local authority – it is obviously a key driver (for retention)' (CEO).*
3. The work ethic of West Coast people; *"The biggest resources we have here is the human resource. You'll find that throughout the whole West Coast – loyal workers, workers that'll stay with the power company for their life. It's just a trait of West Coast people, they are loyal to their employer" (Corporate Services Manager).*

The length of service and community spirit that employees shared was viewed as a strength by the CEO, who acknowledged that the BEPB had a *"close group of people and long serving employees have been our strength" (CEO).*

4.4.4 Summary

Charged with providing electricity for the region by an act of parliament, the BEPB had traditionally played an integral role in the economic and social well being of the Buller Community. The BEPB not only provided electricity, but as one of the largest employers in the region contributed to the welfare of a declining community. The BEPB was well entrenched in the community, yet despite having its own unique identity shared many values and features with its contemporaries. Buller's archetype comprised of these four elements: community ownership, a hierarchical structure, a community focus and an engineering culture.

4.5 Organizational Change in the BEPB

The deregulation of the electricity sector forced the BEPB to change its ownership structure.

"What we've seen in a relatively short time (is that) legislation has forced change" (CEO). "With this change it was going from a power board which is basically like a government company to private enterprise" (Operations Manager).

However, although the legislation was aimed at introducing competition and a commercial focus, the BEPB remained focused on the community.

"Its been argued right from the start with our trust and our management (that) what is the point of making huge profits (and the) government taking a third of that in tax? And then (us) issuing a dividend to the shareholder – which is the trust – who in turn then issues those dividends out to the consumer. By that time there is another taxation implication as well – so it's only a portion of that (profit) the consumer gets so that (commercial approach has) sort of not been the focus" (Corporate Services Manager)

The BEPB reacted to the deregulation by employing a consultant to research the solution best suited to maintaining local ownership of the company's assets and achieve both commercial and community aims.

"Our legal adviser at the time was Bell Gully Buddle Weir in Wellington and Liz Kelly was the key solicitor who had experienced reform in the UK, and she promoted the trust ownership that we locked into" (CEO).

As legislation required a community vote to determine the final ownership structure consultants were also used to conduct market research to gauge the community's opinion of the BEPB, as well as customer needs and wants. This research indicated that the majority of consumers approved of the BEPB and would support maintained community ownership.

"We used consultants to get market research done. (We found) people were happy with the price of electricity, and as long as it appeared to the community that there was a reasonable price relative to the rest of the country they were happy (with the company)" (Corporate Services). "Research undertaken indicated that a number of people would rather stick with Buller Electricity provider and they are quite more than satisfied with the service that we provide" (CEO)

With legal and community support for the status quo, the management and board of the BEPB promoted the trust structure as best way to meet community desires.

"We always had a reporter...at the monthly board meetings so our people (the community) were informed at what was going on" (CEO) "The decision of the board was basically...to keep the

control of the assets in the district so you're controlling your own destiny" (Operations Manager).

At a community vote in 1992 the community trust structure was selected. Two reasons were offered for the selection and appropriateness of the trust ownership structure for Buller's electricity company. First the effects that government reform had had on the local economy meant that the general community was generally resistant to change. As a high profile employer in the area the BEPB was particularly important as the Buller region's economy has been drastically affected by government reforms and conservation policies which had seen many local government departments and businesses downsized or closed. Such events had raised significant and general public opposition to government reforms.

"It was very much a government town, and obviously with the restructuring of government departments a lot of those professional people left the district. The demise of that's continued right through to today – over a thousand jobs lost through the district since 1985" (Corporate Services Manager). "The central government policy of restructuring affected (the) local community and Buller Electricity is the only local thing left! The significant job losses meant local people were sick of reform and wanted to protect their local power company" (CEO).

Second was parochialism and the strong community spirit of the Buller district.

"My view is that the town is a very parochial town very much a socialist background to the community and I think it's a bit of a hangover from that" (Corporate Services Manager).

The composition of the trust board was also significant. Although the government had indicated that it desired commercially experienced and focused boards, a degree of latitude remained in the legislation due to the government's legal inability to dictate the final ownership structure. This enabled the BEPB to select a structure and promote candidates with experience on the community board. As a result, many representatives elected to the trust board were not radically different from the past.

"Some of our board members were former employees of the company which helped. For instance one of our former engineers, who was probably one of our long serving engineers, became a director. And one of the other persons in charge of the lines he'd been a board member for 25 years. So we did have at board level some very good engineering skills. And probably what's happened

because of that those older two people on the board they were pretty frugal, there has not been a lot of waste as you might see in other companies. So that has been (a) key driver to the direction that we have gone down”(CEO).

With the community trust structure and representatives selected Buller Electricity Limited (BEL) was formed and *“on the first of April 1993 the whole thing was deregulated” (CEO)*. BEL was not officially formed until *“the 13th April, because we were running one month late” (CEO)*.

4.5.1 The Reactive Change Process

Following the formalization of the ownership structure, the renamed organization initiated internal changes. Implemented by senior management with the assistance of consultants, the opportunity was presented for the organization to undergo significant strategic, structural and cultural change to meet the change in focus of the new operating environment. However this opportunity was not taken and instead the changes introduced were small and incremental in nature.

Shortly after corporatisation employment consultants conducted an employee review of all managerial positions to ascertain whether managers had the requisite skills for their positions. At the top the CEO had individually undergone a review *“process to see whether I stayed here”* with the board and subsequently retained his position. His reselection as head of the organization rested on his accounting ability, experience and long-term association with the organization.

“I’ve been here for over 21 years, I’ve got a fair bit in my head as to how it (the organization) operates and listening. See I’ve worked with five engineers in that time and I listen to them and I have learned a lot” (CEO).

All other managers within BEL were also required to undergo the review process.

“When we were formed into a company basically all of the management positions were re-advertised – we used employment consultants for that (Corporate Services Manager). “A lot of the staff reviewed their duties ... the staff were concerned about their future, but we went through the process without any major problems at all” (CEO).

Despite the management review, there was only a limited impact on second tier management. Although BEL *“actually did reduce our staff by one or two to give us enough room to make some changes”* (CEO) this was done through natural attrition. This not only maintained the company’s *“job for life”* tradition but also enabled the organization to *“download”* internalized knowledge.

“One of our older serving people, charged with the line crew, was put to one side reporting to me. He was 18 months from retirement and we had 18 months to download what knowledge he did have. So rather than making him redundant and putting people over him where he would lose his status we decided to pull him out of the field and have him reporting directly to me” (CEO).

Restructuring did result in the development of a new Corporate Services Manager position. This position was primarily established to handle the increased monitoring workload associated with the government’s new compliance regime.

“The board interviewed me. I (had) started (my employment) under the old structure mainly in the financial area. (The new position) is an administrative, corporate financial support to all of the divisions along with (dealing with) the Ministry of Commerce compliance disclosure” (Corporate Services Manager).

However the CEO saw the new division more as a means of maintaining and retaining the services of long-term employees.

“The real reason we formed the corporate service division was that we had people sitting in the wrong seats. We had a lot of long serving employees who were no longer appropriate to hold those supervisory roles. So what we really had to do was, out of our existing resources, relocate people” (CEO).

Therefore, although the industry was required to shift to a commercial and divisionalised structure, the structural changes implemented within BEL were comparatively moderate. The ‘restructuring process’ effectively resulted in the redistribution of organizational resources.

“The change process hasn’t been a radical change from the companies perspective it’s a change because of legislation that’s really a matter of adaptation rather than change. We never did anything radical; we basically did what we were required to do under the legislation. (We) kept thinking, just taking our time, making sure that the decisions we were making weren’t the wrong decisions. Because we were such a small company we wouldn’t have the luxury to be able to buy our way out of our problems that

*would show up immediately if we made a wrong decision”
(Corporate Services Manager).*

4.5.2 Strategic, Structural and Cultural Organizational Change

Despite ongoing environmental turbulence, BEL had deliberately sold the benefits of an ownership structure that maintained the traditional organization-community relationship and culture. The selection of the trust structure in combination with the reselection of the CEO explicitly indicated the board’s desire to preserve the ownership of the organization’s assets for locals, and maintain the traditional operational and cultural values of the electricity company. Combined with the organization’s strong connection and identification with the community there was a shared desire at the ownership, managerial, organizational and community level to maintain the status quo. Consequently, the nature of strategic, structural and cultural organizational change was typical of first-order change.

4.5.3 Strategic Change

Significant strategic change in the form of a merger with neighbouring electricity company Westpower was considered early on.

“We did meet with Westpower (and) at that meeting it was decided there were no benefits that could be achieved with a merger. Since then I have publicly said on a large number of occasions that there were no benefits between Buller and Westpower merging, because we would both be too small to survive in the current environment. There was actually no benefits or no synergies that would be of value to both parties” (CEO).

However researching the viability of the proposal did not go beyond official CEO meetings. Yet despite the CEO’s statements as neighbouring organizations scale economy benefits and cost savings could have been achieved as proven by several other electricity organizations (for example Southpower) at the time. Behind the official reasons for turning down the opportunity, the Network Manager suspect’s merger talks were called off due to interpersonal differences between CEO’s and the traditional parochial rivalry that existed between the two regions.

“Our CEO has met with the CEO in Westpower and while they talk business with each other there isn’t that personal connection. Westpower is not (seen as) much good (possibly) parochial differences” (Network Manager).

The potential for loss of control and ownership of the assets may also have played a part.

A second significant strategic opportunity was BEL's proposal to build a hydroelectric dam in the region.

"We went into build a major hydro scheme with Downer in 1992" (CEO).

Promising long-term employment and a steady source of revenue for the local economy, the plan to tackle such a scheme matched both the electricity ethos and community focus of the organization. However despite years of negotiation and legal battles, the Minister of Conservation unilaterally scuttled the plan. Appealing the decision the government undertook *"a political judicial review of the Minister of Conservation's decision not to grant us access to enable this hydro project to proceed, because the hydro scheme was a large one with high conservation costs"* (CEO). Pressured by environmental lobbyists, the government supported the Minister's decision. This created significant dissatisfaction within the local community, but reinforced support for BEL.

"That really fired up the local community. For the first time we had a public meeting of over a hundred people and the community was very angry. Even today a lot of the people are very disappointed with the decision that was made by the Minister of Conservation" (CEO).

It is not clear what the consequences for BEL would have been had either a merger occurred or the hydroelectric dam been completed. Denied the opportunity to pursue both strategic options, BEL instead retreated to follow a reactive and incremental change strategy. As changes to legislation were made BEL's management reacted: *"once someone said ok we're going to legislate we did it"* (CEO). However, rather than look beyond the immediate implications of institutional change to try and identify further strategic opportunities, strategic changes were made simply to meet statutory requirements.

"What we have done is we've fine tuned" (CEO). "Look at how we can get by without doing anything extra" (Network Manager).

BEL's management when dealing with strategic change at the organizational level also took this reactive approach. With a focus on cost saving, the

management and board of BEL monitored the environment for improved operational methods introduced successfully in other electricity companies.

"What we've done is I've always run with the hounds. What I mean by that is that if some companies have some good ideas and as soon as any changes have come in the company has run with those changes" (CEO). "They're (the board) seeing what other companies are doing and if its saving money then they adopt that" (Operations Manager).

This approach to strategic change allowed the organization to introduce small changes to meet both statutory requirements and appear increasingly commercial while meeting the expectations of the organization and community.

The ownership structure of BEL was identified as a fundamental reason for the organization's strategic approach. Although the government required all electricity companies to operate along commercial imperatives, the community trust and CEO instead chose to implement systems that ensured the organization could maintain its traditional social 'paternal' function.

"The trust desires a low rate of return, and we pay them minimum dividends. We just pay the dividend to cover their operating cost you know therefore our prices are pretty low". "The affect that the government's restructuring has had on the community has meant we have taken a social responsibility focus" (CEO).

4.5.4 Structural Change

Although the potential impact of environmental change was great, the continuity of BEL's strategic focus as determined by the community trust ownership structure saw the organization introduce limited structural changes. Where changes were made they were made only in response to statutory requirements and often mimicked the actions of similarly sized electricity companies.

The implementation of structural change process was primarily managed and driven by the CEO - *"the CEO was in charge of the whole process" (Corporate Services Manager)*. Consultants were utilised to provide assistance in the development of BEL's structure *"at the time" (CEO)*, but their role was limited to providing assistance with meeting compliance regulations that BEL did not have the expertise or management resources to address.

"A lot of the compliance requirements required outside consultants in our case and (it's) probably no different than any other power company" (Corporate Services Manager).

Structural changes in BEL illustrate the effect of coercive isomorphism, where an organization's structure reconfiguration is required as a result of statutory requirements. Legislation meant that *"there was a requirement to split line and energy charges so we split them"* (CEO). The requirement to financially separate network and energy businesses was not regarded as a radical change by the management of BEL. Other structural changes were made in reaction to changes made by other electricity organizations, developments that were assessed as compatible with the strategic and cultural tradition of BEL.

"They (the board and CEO) love Electra (particularly) in operational issues. So we all seem to (do) whatever Electra is doing, it's (seen as) the right way to do (change). And so they (the board) are very much of the opinion that whatever Tasman is doing is no good and whatever Westpower is doing is not much good either" (Network Manager). "The way industry was heading at that time you had to see what other people were doing and change anyway. Other things will change depending on how the industry is going" (Operations Manager).

Approaching structural change as an incremental process - *"the restructuring process is redesignating positions"* (CEO) – BEL's CEO merely renamed extant internal divisions. Although this process saw the management layers 'officially' reduced *"on corporatisation we (introduced) a three tier structure which was far better"* (CEO) this had minimal impact on the organization.

No redundancies were forced on the organization, with staff leaving only through natural attrition.

"We actually did reduce our staff by one or two only by one or two to give us enough room to make some changes and to redesignate all the positions" (CEO).

4.5.5 Cultural Change

In the face of discontinuous environmental change, BEL managed to maintain a strategic and structural configuration not too different from its predecessor the BEPB. The underlying values and beliefs of the board and management had fundamentally determined the strategy and structure of the organization. Such influences also contributed to the maintenance of the organization's culture.

Associated with the commercialisation of the electricity sector was the widely held belief that a fundamental culture change was required within each organization *"it was just that what was happening in the industry at the time"* (CEO). However although management acknowledged the need for a new commercial culture focused on customers;

"People were reluctant to change – people don't just change for the hell of it especially when you have a monopoly type business it's very easy to go cost plus mentality" (Corporate Services Manager).

BEL's CEO tried to introduce organizational change through the use of the Employment Contracts Act (1992).

"Something had to change. A lot of the staff reviewed their duties shortly after the introduction of the Employment Contracts Act so we made significant changes to our terms and conditions of employment. We eliminated all allowances eliminated double time eliminated a lot of the old service allowances at that time" (CEO).

However managers acknowledged that this did not have a significant effect on the organization's culture.

"You can't change just by putting a contract in place. I think whoever thinks that they're kidding themselves. People decide what culture they take on board not what you tell them – it's their decision not my decision" (Network Manager).

The organization also began to document procedures to encourage the sharing of 'internalized' knowledge and teamwork.

"Personalised knowledge is a problem. It means people tend to rely more on people doing their work and if they're not there all of a sudden certain parts don't get done" (Network Manager).

Despite CEO encouragement resources were not dedicated to the documentation process, which remained an ongoing 'work-in-progress'.

"We're still doing it's sort of an ongoing thing we're too small to appoint someone it would just about be a full time job for a year. We haven't got the luxury of appointing someone so we thought we'd just do it as it comes along" (Operations Manager).

Similarly, although the CEO acknowledged the need for cultural change, there was a lack of investment made in staff training and development.

"There's no investment in staff I'm afraid. Sure there's a board policy where if the staff wants to go to certain training that is appropriate the staff will approach the board and the company will

support them in that. But that's relying on the proactive nature of the staff. Meanwhile the staff are too busy (saying) – 'I haven't got time to learn anything new' and 'I've got my task here and I can do it a hundred percent right'. So you keep hearing 'I haven't got time to learn have a look at that'" (Network Manager).

Consequently, although an attempt to change the culture was made by BEL's CEO, the lack of investment in cultural change programmes as well as the lack of obvious strategic and structural changes meant that the organization's culture remained focused on electricity.

*"Our focus has been to get the job done. That's the first goal – to get the power out to the customer" (Corporate Services Manager).
"We have people still doing jobs at the company cost when they should have been 100 percent paid by the customer" (CEO)*

4.5.6 Attributes of BEL's Change Process

The case of BEL provides us with a valuable insight into the variables that determine the nature and extent of organizational change.

The community trust form of ownership retained the traditional community-organization relationship, values and archetype. This restricted the ability of management and government to introduce widespread strategic, structural and cultural changes.

"The government never had control over the trust owned power companies because we weren't necessarily profit driven to the extent the government wanted" (Corporate Services Manager).

Although statutory requirements saw changes made to infrastructural and support structures, the demands of the owners to remain true to the values and beliefs of the past meant that the organization fundamentally continued unchanged.

"If you look at our annual report it looks like we've made tremendous changes but really bottom line nothing has...I would sum this company up as a typical textbook case of not how to do things. I mean you get a management organization book you read in there sort of yeah that's it we'll do the opposite that's how I sum it up (Network Manager). "From where we sit from the old power board structure to today it the same old company" (CEO).

A significant factor preventing change was the lack of change in the CEO's managerial approach. The CEO's autocratic management style maintained the

traditional management-staff distinction and undermined his own calls for cultural change.

"It's (an) autocratic leadership style that our CEO has that's really still forcing that old culture" (Network Manager). "Our CEO basically comes to management first (to) discuss ideas and we'll discuss them on a management level. Then staff are advised depending where the CEO thinks it (change) should go" (Operations Manager).

Despite the CEO's opinion that many gains had been made, members of the management team identified that his need to maintain control of the entire organization, as had been required of the role in the past, was a major impediment to change.

'He gets involved in those processes instead of maybe just explaining the outcome he desires and then actually leaving the logistics issues up to other people that can sort them out" (Network Manager). "If he (the CEO) feels there's a need for change then we change" (Operations Manager). "From my perspective he tries to do a managers job more than a CEO's job. He's providing more management functions than leadership functions. If something doesn't go quite right he wants to fix it right there and then and he tells us how to do it or he goes to somebody else and says get this thing fixed. So he's very much 'do it that way' and that's it. And if we come up with an approach and we start doing that and he sees that happening and he doesn't really feel it's the right way he'll interfere unless he's fully aware of what's actually happening. So you approach him to let him think it's his idea so it will work" (Network Manager)

The traditional strategic community focus was identified as a barrier to change.

"The approach to the community focus has been a little bit of a barrier to us changing to toe the line basically (Corporate Services Manager) "I'm still having to come to grips with a very conservative approach probably by the board I don't want to rock this boat too much I think that is really the main driver that has actually that we're doing this (change) so late." (Network Manager)

This conservative approach rested on the board's belief that it was imperative to maintain a strategy that benefited the community *"The thing is the company has always had a very full on community based focus"(CEO)*. BEL's rural and isolated position was identified as contributing to the organization's limited change. *"We're our own little company here" (Network Manager).*

"We were isolated (and) companies weren't getting us involved in training and things like that" (Operations Manager). "Being a small

company I probably feel that I suffer from professional isolation” (Network Manager).

Isolation protected BEL from the effects of competition, such as competitive tendering for contracting work and energy retailing. BEL’s distance from urban centres meant that it was not financially viable to compete in the area, providing a buffer that allowed the organization to continue operating in a ‘traditional’ manner.

“I know people have rung First Electric (competitors) some of our staff have done it to see what their package is. And they’re (the competitors) not interested in getting into the market in rural areas – only major urban – and I think it’ll be some time before the domestic consumer sees any benefits” (Corporate Services Manager). “Were we to bring another contractor in – because of our remoteness you know Greymouth are our nearest opposition – it would cost quite a bit they would charge quite dearly I’d say to come up and work for this company. The company sorted it out and said no it’s cheaper to have our own staff” (Network Manager).

BEL’s isolation was also identified as a significant barrier to the introduction of “new blood” to the organization.

“They (the board) advertised extensively throughout New Zealand and I guess it was reluctance to come to a rural area, people thought that was a step backwards probably the salaries that we were offering weren’t (attractive) the opportunity for progression for those people wasn’t there. Recruitment is a problem” (Operations Manager). “We advertised to people with an emphasis on going outside the district to bring in new blood and when we endeavored to recruit we found that the people that we were looking for really didn’t suit the role” (Corporate Services Manager). “It is very difficult recruiting people in this area. We advertised extensively on a number of occasions but have not had many applicants” People don’t want to come here. To recruit people in these remote areas is extremely difficult because they need to be a different type of person they really need an interest in the type of terrain and obviously the adventure opportunities that exist in the area you know you’ve got to be that way inclined you’ve got to be into tramping and fishing and those type of things to like what we have to offer” (CEO).

BEL’s inability to attract new and ‘suitable’ managerial staff – that is individuals that valued the ‘West Coast’ way of life and were compatible with the culture of BEL – reduced the likelihood of BEL successfully introducing widespread second order strategic, structural and cultural changes.

Counter to extant theoretical literature outlining the entrepreneurial and innovation advantages associated with a small organization, the organization's size was identified by BEL's management as a significant barrier to the rapid implementation of widespread, second-order change. Due to its size BEL managers did not:

"Have the luxury of being able to employ full time managers, and in fact a lot our managers are very much hands on working managers rather than just a purely management role and that's even including the CEO so it does make it difficult to be able to plan and look at strategies" (Corporate Services Manager).

That BEL could not dedicate managerial staff to purely strategic issues due to its size was generally acknowledged as a reason for the organization's inability to radically change or even keep up with the change process.

"It certainly would have been easier if you'd had the luxury of having people that were more dedicated to strictly management roles where they could basically manage the business manage the change manage the implications" (Operations Manager). "As a small company we are multi skilled and it has been extremely difficult to keep up you know with changes" (CEO). "To a certain extent because of our size we've taken the wait and see attitude" (Corporate Services Manager). "There's been things that haven't been done...you're talking of 5 years of constant change its very hard to be able to put a strategy in place to be able to overcome it particularly for a small company" (Operations Manager).

Despite the structural norms emerging within the industry, the BEL's small size meant it was not able to develop the structures emerging within its peers.

"We had to break it (BEL) up into business units and that was done in a financial setting only rather than in the management structure. We broke that into initially about six business units thinking that this is what we had to do, but it became evident that we were so small we didn't have enough people to fill the positions that that would create" (Corporate Services Manager).

Consequently BEL was seen to be lagging behind larger electricity companies.

"Bigger companies had sort of implemented years ago this sort of set up but because we were small sort of out of the way company a lot of the stuff was in house" (Operations Manager). "From the government's perspective and the purpose of restructuring power companies yeah we've probably been a little slow" (Corporate Services Manager)

The financial strength and stability of BEL also provided a substantial buffer for the management and owners of BEL.

"We've been debt free for ten years and we felt that we could continue to be just as efficient as we were and I think the performance indicators have confirmed that our performance in a lot of those areas was far superior to our neighbours" (CEO).

This cash rich status was primarily due to the company providing electricity to a major industrial facility, the income from which allowed the organization to pursue the traditional community focused strategy.

"We have one large dominant customer called Milburn New Zealand limited that takes over 52 percent of our load. Over the years we have put Milburn's load and the company's together. We were able to avoid significant costs to the district whereby all consumers here were benefiting so historically our prices have always been amongst the lowest in New Zealand historically" (CEO).

Some saw the lack of a clear strategy for change was seen by as an impediment to BEL implementing radical change. Although the CEO was sure that there was a clear vision for change and that BEL would have changed irrespective of environmental upheaval *"we've got a bit more vision although we were going to get better anyway without the reform" (CEO)*, some managers believed otherwise.

"There is no clear strategy – I stress that to the board and the CEO but they say there is a clear strategy so we are a bit different in those opinions" (Network Manager). "Probably some of the sort of things that we should be doing by way of customer focus strategies have probably gone by the way" (Corporate Services Manager). "We get our vision statement every year and basically every year we are working towards that. It changes every year depending on how the industry is going" (Operations Manager).

Consequently some lamented that BEL was strategically short-sighted, and that BEL's inability or unwillingness to devote resources to strategic planning had resulted in the organization taking a reactive, 'fire fighting' approach.

"In this company it's always fire fighting and you never get out of it you know. You douse the fire here and in the meantime there are four flaring up behind you – you never get anywhere. We may do things very efficient but are we doing things effective, are we doing the right thing. Maybe we're doing it spot on right but are we doing the right thing is this really needed to actually help this company – I sometimes wonder" (Network Manager).

Where attempts were made by management to promote organizational changes, the board and CEO viewed it as creating unnecessary problems.

"I'm obviously trying to persuade them (the board and CEO) in a certain direction and too much persuasion is sort of stirring – you've got to have some of these ideas lets go for that you know lets get out of this vicious circle" (Network Manager).

BEL was a small organization with a history and tradition tightly embedded within the Buller community. Servicing a struggling rural area, BEL was a provider of both electricity and employment, and the organization's identity was as much aligned with the electricity sector as it was with the community. Therefore when a new regulatory environment introduced a new commercial operating imperative, the conflict of values meant that BEL was highly resistant to change. On corporatisation this resistance manifested itself when BEL, with community support, adopted the community trust structure. The selection of this ownership structure reduced internal pressure for change and allowed the organization to maintain traditional values that proved to be at odds with the intent of deregulation. Therefore, although BEL did introduce changes as required by law, these were reactive and first-order in nature only as the *"strategy really with the reform has been survival" (CEO).*

4.6 Electricity Ashburton Limited (EAL)

4.7 Overview

Electricity Ashburton Limited (EAL) is an electricity company that serves the Mid-Canterbury region on the east coast of New Zealand's South Island. Headquartered in the medium sized town of Ashburton, EAL is a small organization that employs 100 people to meet the electricity distribution, retail and construction demands of 24,780 customers. EAL's distribution network provides electricity for a predominantly rural area of 6,664 square kilometres. Prior to corporatisation, EAL's predecessor had been an EPB the AEPB – (Ashburton Electric Power Board established 1921), and shared strategic, structural and cultural similarities with its peers. However EAL chose to implement a unique ownership structure. Having initially formed a limited liability company with the Electricity Ashburton Trust following the Energy Companies Act (1992), an ownership review and public ballot in 1995 resulted in the organization adopting a customer co-operative form. Despite the radical institutional change that initiated this change process, the organization's ongoing concern with community welfare and safeguarding local ownership of the company's assets meant that the process of organizational change in EAL closely conformed to the archetype of incremental, reactive and first-order change.

4.8 The Electricity Archetype in AEPB

Common to the heritage of all EPBs, the AEPB had been a community owned organization with a locally elected board. Board membership was comprised of prominent local businessmen – primarily farmers due to the rural nature of the region – with little commercial experience. This combined with the nature of the statutory environment of the time lent itself to the development of an organization concerned with community welfare rather than commercial returns.

"We were not a company we were just a local body and the board was elected by a vote which meant we didn't have what we would term professional directors in those days – they were just people who thought they could run a business. They weren't directors then they were board members of course in those days they were from other businesses they had business experience but not at director level" (Financial Controller). "The make up of the board perhaps in the old day we went through it was all local farming community elected people on a board" (Commercial Manager).

Consequently the members of the AEPB board traditionally took a “hands on” approach with the organization, involving themselves with the day-to-day management of the organization.

“The old days community elected people wanted a hands on approach and they spent more time selecting what model of vehicles going to be bought rather than the profit you’re going to make” (Commercial Manager).

4.8.1 Organization Strategy, Structure and Culture

The nature of the operating environment meant that the AEPB also conformed to the typical power board profile. Strategically, as a protected monopoly, the AEPB *“was just a power company that was trundling along it had a monopoly do what it liked charged what it liked and nobody could ever moan about it... when I first started here it didn’t matter about customers before they’d like it or lump it because they couldn’t find the power anywhere else” (Financial Controller).* As the only provider of electricity services the primary focus rested on electricity network construction and maintenance. However the inclusion of appliance retailing and ancillary services meant that *“the original (strategic) approach here was very much a ‘be all things to all men’ type approach – it was a one stop shop” (Network Manager).*

The structural profile of the AEPB was also fundamentally identical to that of other EPBs. The organization was divided in two, based upon engineering and financial disciplines, and maintained a hierarchical and bureaucratic system.

“We had the traditional power board structure where there was the chief executive. In those days it was styled general manager effectively the same thing and I reported to the board. And then the organization (was) divided into two under that – we had a chief engineer and a secretary treasurer (and) we operated like that” (CEO).

The General Manager (GM) of the AEPB was an engineer with many years experience in the organization.

“I’ve been in the electricity industry my whole career. I first came to Ashburton back in the days when it was the Ashburton power and gas board in 1971 as the assistant engineer and ‘78 as chief engineer and became general manager at the end of ‘86” (CEO).

The GM had ascended to the position in a somewhat 'traditional' manner, styled to take over the reigns of the organization on the retirement of the incumbent.

"I'm an engineer by training electrical engineer. As chief engineer I was effectively the deputy general manager – in fact I was actually styled that a year or so prior to my predecessor retiring and had been away to some management training courses during the course of that time as chief engineer. I was here then as chief engineer and deputy to my predecessor who retired and took over his position on his retirement – I suppose it was reasonably common way (to advance in the organization)" (CEO).

The GM's management style was paternal in nature.

"Looking from (the GM's) point of view there's almost a fatherly sort of view on it like almost like a big family" (Network Manager).

The GM's paternal approach in conjunction with the strategic and structural configuration of the AEPB contributed to the development of the enduring EPB culture – one focused on engineering and a 'job for life' mentality. Consequently the AEPB had loyal and long serving staff.

"We have a very low turn-over rate" (CEO). "I'm a long time employee it must be close to 25 years. I started here from school as an apprentice electrician went through a technical background NZCE" (Commercial Manager).

This sense of loyalty developed a pride in and ownership of the AEPB that manifested itself in staff investing time and energy into the organization above and beyond their duty.

"If there's a problem after hours its not a problem getting staff. People come in on their own time – come in at six o'clock at night and there's quite a few people still here and they're here because they want to do the job, not because they're afraid tomorrow they won't have a job" (Network Manager).

Furthermore, as a consequence of the close rural community in which the AEPB operated, the organization was perceived as *"much more relaxed"* (Network Manager) than other urban based organizations. This dedicated and loyal culture was identified as having developed out of the AEPB's small size and rural operating environment;

"I think small parochial and stable is where that's (culture) really come from" (Network Manager).

4.8.2 Summary

The strategic, structural and cultural profile of AEPB was typical of the electricity archetype. The AEPB had developed a strategic and structural configuration to meet the statutory requirements of the operating environment. These variables, combined with the demands of the local operating environment, created an organization culture deeply aligned with the local community, focused on engineering, operational tradition and loyalty. The AEPB archetype therefore contained the four components typical of rural EPBs: community ownership, a hierarchical structure, a community focus and an engineering culture.

4.9 Organizational Change in the AEPB

4.9.1 Pre-Legislation Change

In 1987, following 66 years of stability, the first changes to affect the AEPB emerged *“when the power boards became taxpayers in 1987”* (*Financial Controller*), which removed the special company status afforded all EPBs and MEDs. However this was not regarded as a significant change by the AEPB, as it required only small adjustments to be made to improve financial reporting systems.

“We had to improve our reporting. We didn’t have a great system – the computer system was there but the reports weren’t being prepared on a regular basis and gave us accurate information the end of month. We had to just tidy up our system reporting to provide the accurate information as at the end of each month rather than at the end of each year which is what happened. Just improving reporting, taking it to the board, and they would say ‘What about this’ and you’d just upgrade your reports for quite a considerable time until we finally got what was suitable from their point of view” (*Financial Controller*).

Rather, it was after the corporatisation of ECNZ in 1987 that the AEPB board and management were alerted to a strategic shift in the operating environment. The board of the AEPB saw the corporatisation of ECNZ as a push to introduce a customer focused service philosophy based on reducing costs throughout the industry.

“The biggest change was when there was the marketing movement where words like customer satisfaction were really booming in the service industries. That was led from ECNZ (and was) obviously a government-come-ECNZ push to try and drive this thinking through

the whole industry so that was the biggest change" (Commercial Manager).

However, although a defined marketing strategy was new to the AEPB, such a strategic approach was not perceived to be a radical threat to the status quo nor at odds with the traditional electricity focus of the organization.

"There was an ECNZ move to grow sales and that was the textbook theory at that time was you grow sales through customer satisfaction delivering the products and services that customers wanted the marketing type concept. There was starting then to come in some emphasis on marketing, which hadn't ever really been in place prior to that, and an emphasis on customer service. I guess it was pervading the whole industry" (Commercial Manager).

Rather, the 'new' marketing focus appeared to be an improvement and refinement of the traditional organization strategy of supplying electricity for the community. This assessment is supported by the rapid implementation and success with which the marketing focused approach was adopted. A former engineer with an interest in marketing issues was assigned the role to lead a new marketing division, which was established quickly.

"Someone (was) styled marketing manager, he was from an engineering background. He now has qualifications in business studies and marketing that he would have been embarking on about that time had a particular interest in that...(that process took) a couple of months" (CEO).

This newly emphasised strategic focus saw the organization meet with early success.

"We did that (change) more or less over night and we were leaders in the industry there – we won the inaugural marketing award" (Commercial Manager).

ECNZ not only set a precedent with marketing, but also provided insight into the structural implications of government restructuring. However it was not until the passing of the Electricity Power Boards Amendment Act (1988) that the board and management of the AEPB were spurred into making structural adjustments. The implications of this legislation and the threat that it posed to future ownership of the organization, its assets and income, forced the AEPB into action. With the assistance of consultants, the AEPB underwent a strategic and structural review.

"It was collective decision making by the senior people within the management at the time. It involved seven or eight people and the chairman and a couple of other board members – in those days we had a board of eight – it involved the chairman and two others. And we had a series of meetings where we addressed the overall strategic plan for the organization. One particular meeting we ran over three days – went away from here and had a consultant as a facilitator. And that together with other meetings that were held to compliment that resulted in a decision on a new structure. And that was promoted to staff in particular and also the public" (CEO).

Despite the initial urgency, few changes of significance were made. To consolidate power at the top, the GM position was renamed CEO. With one person clearly in control of the organization, and with the assistance of consultants, a programme of restructuring was undertaken. The major contribution of the programme was to reduce the levels of hierarchy and remove the traditional separation of engineering and financial disciplines. Traditional operating divisions were formally renamed and cross-functional corporate support services integrated.

"We did some restructuring – the first round – while we were still a power board. We made the structure flatter with me having more direct reports going away from that traditional split of engineering and non engineering...It had more direct reports to me and therefore more divisions and each of them smaller than the traditional engineering and non engineering" (CEO).

Despite the potential for radical and anticipatory change, the initial round of restructuring resulted in incremental changes that increased the efficiency and effectiveness of the organization. No redundancies ensued and consequently few problems were encountered resulting in the entire process being completed in *"a couple of months"* (CEO).

"I think (the reaction to change was) pretty positive in those days. There were no redundancies involved and I think generally speaking the whole organization would have had a feeling of having a new lease of life" (CEO).

With government reform delayed as a result of legal complications and a intervening general election, the period from 1988 to 1991 remained relatively stable in the AEPB despite uncertainty associated with the direction that the government would take. The enactment of the Employment Contract Act (1992) did however provide a means for organizational development by

providing an institutional environment in which direct workplace-employee negotiations were encouraged. The AEPB utilised this legislation to their advantage, removing union involvement in workplace bargaining issues.

"We're not involved in any national awards we're not involved in any collective contracts that involve people outside this company with the way the employment law has changed and employment contract practices have changed there are very few left like that. It certainly reduced the influence that the unions can have on the place" (CEO)

However the effects of the legislation were limited within the organization to reducing issues of demarcation. The ability to negotiate directly with staff for the benefit of the organization rather than based on the norms of the industry enabled the AEPB to develop a greater degree of organizational flexibility.

"It (the Employment Contracts Act) cut out a lot of the silly nonsense that used to go on – demarcation between jobs for example where you had certain tradesmen who weren't allowed to do other tradesmen's work that sort of thing. In that way its made a lot more flexibility and also we've been able to effectively negotiate directly with our own staff. (We) can come up with an agreement that suits the people that work in this place and the management of this place rather than have it dictated to us by other employers or other groups of employees" (CEO).

The implications of the reaction of AEPB's management to redesigned employment contract law did not radically alter the employment relationship. Instead the CEO, who actively pursued a personal interest in employment relations, negotiated employment contracts in a traditional manner,

"I've always taken an active role in employment contract negotiation and the like. I had developed an interest in that and in those days we had national awards and regional awards (and) I was deputy of the industrial committee for the electricity supply industry and had an active involvement in negotiating national awards so I retained some of that interest" (CEO).

Consequently, the degree extent of change in reaction to the new institutional environment was limited. The employment relations environment within the AEPB maintained the traditional paternal, community spirit approach where contracts were negotiated as much for the benefit of the employees as the organization.

"It lets us have employment contracts agreed on terms and conditions that suit Ashburton people – (not) people in other parts of the country – without being any disadvantage here" (CEO).

4.9.2 The Reactive Change Process

"The next step was corporatisation, and that resulted in a fairly sweeping changes" (CEO).

The passing of the Energy Companies Act in 1992 signaled a new period of activity for government reform of the electricity sector. This legislation forced the AEPB to determine the ownership structure of their organization and operate as profit-making, corporate entity. The AEPB became a limited liability company, and was renamed Electricity Ashburton Limited (EAL).

"All the power boards and MEDs were corporatised and the electric boards were no more and far more commercial orientated directors were put in to run what became the power companies and that certainly happened here" (CEO).

The first changes impacted on the membership of the board. Initially frozen by the 1988 Electric Power Boards Amendment Act and later re-appointed by the government following the 1990 Electric Power Boards Amendment Act, membership of the board was reconfigured. Smaller in size, the new EAL board retained two members from the previous board, while four of the five were members of the Ashburton community.

"At board level I think we had probably of the eight member power board we only ended up with two of the five member board of directors only two being from that eight elected members and the other three were new appointments. One was from Christchurch and the others were local people" (CEO).

Despite the new composition of the board's membership, little impact was made on the traditional board – management relationship.

"There are little differences in working relationships and so on but nothing particularly major and that's more been a refinement of what we had in place before that rather than any sweeping change" (CEO).

Initially the board and management of the organization decided that the organization should become "a trust owned company and that was for a period of about two years" (CEO). Selecting the trust ownership structure during the

first review period ensured that the organization's assets and operational focus remained with the local community.

"At board level they (the board) were conscious of the impact on families and income and employment and all the rest of it. And that was quite a factor in negotiations that went on" (Network Manager).

This traditional community concern eliminated the consideration of more radical ownership changes such as full privatisation, but the selection of the trust structure ensured that the organization was able to satisfy commercially orientated statutory requirements. In 1994, compelled to again review the ownership structure, the board reviewed the trust ownership structure. The structure that emerged – a community co-operative – provided a vehicle that allowed even greater community influence over and involvement in the organization than the previous trust structure.

"The trustees were required to come up with a new idea for the shareholding of the company. And the decision was (to develop) a customer owned company-operative – one of only two in the country. All our customers are shareholders. They have a nominal shareholding valued at a hundred dollars – non-tradable doesn't change in value. Directors are appointed by an animal called a shareholders committee and that comprises seven people – four of them are elected by the shareholders by postal vote once every two years, the other three are appointed by the Ashburton district council. The district council has an important role – (although) all the individual customers have a hundred shares each that only totals about 1.3 million shares out of 31 million that are issued. The large majority are in a block of deferred shares held by the district council. It gives them no voting or controlling rights, but in the event of the individual shareholders deciding that the company should be sold, or that there be a major transaction resulting in a large block of assets being sold, the district council would get the proceeds of that" (CEO).

According to the CEO, the board and management selected this co-operative structure as the best means to resist the change and ensure that the organization would remain owned by, and strategically focused on, the local Ashburton community.

"The trustees who owned the shares for the first couple of years of corporatisation looked at what they thought would be best for this community. It's a very parochial community the town the urban and rural sectors of it are very interdependent and it was seen as a way of giving Ashburton people what they wanted. There was certainly resistance to privatisation like some of the other power companies

have done, especially in the north island with share giveaways and other forms of privatisation, and it was well received the concept. And I think our shareholders – our customers are effectively the same people – are pretty happy with it” (CEO).

4.9.3 Strategic Change

Despite having met all statutory obligations associated with the corporatisation process, the strategy of EAL retained the traditional community focus. This was clear from the organizations mission statement.

“Ours is currently Electricity Ashburton - Your Power Partner. That type of thing’s quite reasonable - it gives the impression that you’re trying to create a partnership with your community. That’s I think quite a good way of doing it” (Financial Controller).

In resistance to government intent, the strategy of EAL protected the community from the pressures of competition by operating as far as possible in the traditional power board manner of providing an effective, low-cost electricity supply that would meet the demands of a growing rural community.

“There was no need for strategies except to make sure you had a reasonable supply of electricity to those that needed it when they wanted it and that still applies today” (Financial Controller). “From a strategic point of view it (EAL’s strategy) would be more along that line I suppose trying to ensure that you remain competitive with your pricing and you’re providing a power supply that’s reliable and available” (Financial Controller). “Prices are determined by the market bearing in mind what influence there might be from those community and shareholder issues” (CEO).

Therefore, where strategic adaptations were implemented within EAL they were generally made either because *“they’ve been forced upon us (by) the government”* (Network Manager);

“We’ve got to live with it – we can’t work outside the law” (CEO). “The legislation’s there it has to be complied with there’s not a lot of option” (Financial Controller).

or as a result of contact with other organizations; *“you’ve always got your ear to the ground to find out what your neighbours doing” (Financial Controller).*

The resistance to, and limited degree of, strategic change within EAL was related to the initial strategic choice associated with the finalization of the organization’s ownership structure. The community ownership structure

enabled the board to maintain a close involvement in the strategic management and decision-making process of the organization, fundamentally no different to the directive and collective approach followed by its predecessor.

"The board has quite a big influence here quite a major influence" (Financial Controller). "Our overall strategies are collective decisions so the board and myself and a couple of the other senior managers too really collectively decide the strategy and from time to time we've produced formal strategic plans" (CEO). "There was internal pressures right from board level in terms of cutting costs and maximum efficiency that's flowed down through the management structure" (Network Manager).

With a shared community focus and traditional mindset the maintenance of the status quo and resistance to government driven change was supported at the CEO and senior management level.

"I find my focus and the boards focus has been on resisting the governments proposals. The government just pushed it (change) through in a fairly arrogant and undemocratic way we don't agree (with) and have said so – all the directors say and their disagreements with the way the governments gone about things" (CEO). "If he (the CEO) doesn't agree with something he'll argue against it if he thinks its better some other way. The board are usually quite good in that respect – if he thinks it's in the best interest for the company and on the wrong track (he'll argue) but that doesn't happen very often. You get people around the table you generally come up with the right answers. The chairman invariably tries to get a complete consensus he likes to keep it going until everybody does agree which is a good way of handling it rather than just a majority" (Financial Controller).

That the board continued to operate in a traditional manner was not perceived by management to be a problem for the organization.

"I don't have any problem with that - someone has to set the policy. They're going to be guided by management anyway. We'll have a strategic planning session with a couple of the board members and have some ideas and toss them around go from there" (Financial Controller). "If you compare us with a fully privatised company which tends to act principally in the interest of the shareholders. It tries to make profits for the shareholders as a general rule those companies tend to have higher prices but pay higher dividends make higher rates of return and pay higher dividends to their shareholders. Here there is a balance between those two things and our prices have tended to be lower but there would be those that argue that we are not making sufficient return on our assets relatively low although that's improving" (CEO).

However the board's community focus and paternal approach was identified as having delayed strategic decisions associated with the introduction of change within EAL.

"Its certainly impacted in the strategy. Ultimately when the hard decisions have had to be made they have been made, but they tend to become a lot more drawn out. A lot more soul searching goes into it. And at times that can be worse, because it appears to people to be procrastination or because its drawn out they don't know where they're going or where they stand for a lot longer so it can have a negative effect" (Network Manager).

Strategic change in EAL was limited. With a board intent on preserving the status quo the focus remained on resisting the environmental forces for radical change by maintaining a strategy that enabled the organization to meet statutory requirements while retaining the core ideological philosophy of community service. With alignment at the senior management level, the board and management of EAL implemented incremental, first-order changes that primarily refined the organization's strategy in reaction to environmental change.

"From the boards point of view they just took it (change) as it come" (Financial Controller).

4.9.4 Structural Change

The extent of structural change implemented within EAL following the Energy Companies Act (1992) was limited. Although the new statutory environment provided the opportunity for significant organizational transformation, EAL instead chose a path that resulted in incremental structural changes made in reaction to environmental developments.

Following the corporatisation of EAL, the first structural change considered important by the organization's strategic management was the development and upgrade of infrastructural reporting systems. A change in statutory requirements meant that EAL was forced to develop a more refined financial reporting system than rudimentary biennial expenditure logs.

"The first major one (change) was when we became a corporate entity under the companies act. The requirements then were far more arduous in terms of reporting, more detailed reporting required of a far higher standard. You just monitored things more carefully on a more regular basis than the way we used to do a set

of accounts every 6 months for the board. They were (now required to be) done monthly. So we had to upgrade our systems to cope with all that and that's just the way business is run these days. I don't see it as anything out of the ordinary it's just probably what everyone else was doing anyway just a bit slower into getting onto that sort of system" (Financial Controller). "At management level we changed financial reporting. We know a lot more now about the business month-to-month and even day-to-day about how it's going financially. In the old days a lot of things you didn't really know until after the end of the year and you were looking back" (CEO).

The development of the reporting regime took a consultative, incremental and haphazard approach as the financial controller constantly consulted the board and reviewed requirements.

"We discussed it between us, how we were going to achieve what we wanted, and they were then put into place. We did a trial run for a month to see if it worked. If it didn't work we'd revisit it again and reorganize until we got what we wanted. And we produced something for the board and maybe the directors would say well yes that's ok, but if you did this to it, it would be better still. So upgrade it again. So there was a constant upgrading process – in fact it's still continuing really" (Financial Controller).

The increased demands for information associated with the new regime required EAL to upgrade and introduce computers to assist in financial and asset tracking. However this was not seen as a radical change, but perceived as a means of improving the organization.

"Computer systems have improved dramatically over that time and the information is much easier to get from computers" (Financial Controller). "We have become much more computer orientated and used those sort of tools and information, but I don't think its actually changed the basic way we do things" (Network Manager).

Following the Energy Companies Act (1992) EAL instituted only limited structural change as the organization had already established formal operating divisions based on financial, commercial and network competencies. However with the growing threat of competition for electricity supply and contract/maintenance work associated with the deregulation of the industry, the management of EAL financially separated their network and construction maintenance operations.

"(Currently) there's Financial Controller, Commercial Manager and myself on a level. There was (after corporatisation) another guy (for construction/contracting) on the same level who had all the work

staff reporting to him. The network would get prices and issue contracts to the construction maintenance division. They tendered for the work like an external contractor in-house" (CEO).

This separation, following the emerging norms of the industry, was driven by EAL's management in an attempt to reduce overheads by opening up network maintenance to competitive tenders from other electricity network maintenance companies.

"It was just the general process the industry was going through. You had to get competition and the only way to get competition was to set them up as a contracting area and they would tender for work outside of here, and others would tender for work in there" (Network Manager).

The new statutory requirements also required a split in the financial reporting of network and energy functions. This resulted in EAL more precisely defining the roles of the commercial and network managers.

"It's (structure) been very much influenced by the government" (CEO). "The government split the company in two forced us to look at things and make changes" (Network Manager).

Institutional pressure to change not only came in the form of legislation, but from other electricity companies. The uncertainty associated with the deregulation of the industry meant that EAL looked at other firms for guidance on how to 'fine-tune' their own structure.

"The way this company is structured is the way like a lot of the industry has gone. Certainly we are very conscious of what other companies are doing and we keep looking at it and we do lots of little bits of fine-tuning. We've had things that were picked up from other organizations" (Network Manager). "We look over the fence and see what other people are doing, and I guess they look back this way. We're doing that all the time, and in that way I guess we all come up with something that's not altogether that dissimilar from each other" (Commercial Manager).

Organizations of a similar size were seen as particularly influential in developing EAL's structure. Many structural changes were modeled on their approaches, but the management of EAL argued that radical structural development was limited by the access to resources as determined by their size.

"The way we now organize our control centre its much more along the lines of the likes of Electra in the North Island and we've seen

what they've done there and we've picked up some of their approaches. There might be a tendency to look to others of similar sizes because I think that's of more help than say us looking at Southpower. Because they are just so much bigger and so many different focuses. They've set up quite a number of subsidiary companies for example because they've got the size that each subsidiary company is big enough in its own right. We haven't. Southpower set up for example their contracting Connetics and that runs as an autonomous company in its own right. It would be possible (here) but we haven't considered that it would be an advantage over just running it as a business unit sharing the corporate overheads with other business units" (Network Manager).

This concern was borne out in 1994. After two years of operation as separate divisions, the network and contracting arms were re-amalgamated under the traditional network function. Two reasons were cited for the reversal of this structural change. Firstly, due to EAL's relative isolation, the company was neither attracting competitive tenders for work on its own network, nor was its own division able to offer competitive bids to work outside the traditional franchise area.

"What they (contracting) found is in this locality – like in Christchurch you've got Connetics and Alstom you've got competitors local. Here the nearest competitor is either Christchurch or Timaru and we were missing out on work in most places by about the value of our traveling. And they (competitors) priced in here the difference was about the traveling time which was logical" (Network Manager). "Competition has never really manifested itself – but that threat has been there and its caused us to react to it" (CEO).

Secondly, the separation of the network and contracting was not proving to be financially viable as it had introduced additional overheads.

"(After) we split off the contracting construction side into a separate division, we didn't see that that was providing advantages after a couple of years of running it that way (so) we decided to put that back together" (CEO). There was two divisions – the network division and construction and maintenance division – and that was amalgamated into one, which became the network division (in) 1994 basically (for) cost saving. What was felt then was there was we'd put a lot of overheads in the business and not really achieved anything. So all those works people were brought in as part of network" (Network Manager).

The reversal of EAL's divisionalisation had few ramifications for the business from the perspective of senior management. However the restructuring did

require redundancies, a process managed by the CEO with the assistance of human resource consultants.

"I took advice from consultants in the human resource field as to how to handle it. And I guess I really followed that advice and my own views combined with that on how it should be handled" (CEO).

However the redundancy process was not seen to have had a significant effect on the organization. The CEO followed a traditional approach to implementing the redundancies where *"there was a little bit of room for one or two volunteers and other things being equal last on first off" (CEO)*. Senior management perceived the process as well managed by the CEO whose *"priority was to keep people informed and not keep them in the dark more than was necessary" (CEO)*. Those made redundant where required were assisted to find work elsewhere.

"There hasn't been that 'throw-you-to-the-wolves' and see if you survive type attitude – its quite protective" (Network Manager).

The numbers involved in the process were few - *"There was a redundancies of half a dozen people including the chap who was on the equivalent level to what I was on but they've been very minor in terms of numbers" (Network Manager)*. Furthermore the immediate impact on the organization was minimised as a result of the growth in demand for electricity. This provided EAL with a revenue stream that granted the organization latitude to maintain a degree of slack.

"We've also been fortunate to have a lot of load growth so we're very busy. And because we've been so busy trying to service our customers, I wouldn't say costs are secondary, but they are not the paramount thing" (Network Manager).

Later, in 1998, EAL also sold its retail appliance business. Having maintained a traditional 'one-stop-shop' strategy for the benefit of the community, the divestment of this 'non-core' business was implemented a lot later than EAL's contemporaries. However increased competitive pressure in the retail sector meant the retaining business was no longer attractive to the management and board of EAL and after much debate the decision to sell was made.

"We've (had to) sell off our appliance trading business. We were one of the last to hang on to that. It had been considered from time to time and there were always mixed feelings arguments for and against it actually took that long to come to a decision that we will do it rather than say lets wait and see a little bit longer. Everyone

that wanted it ended up with a job with the new employer or went out on their own and that really worked quite well. We got a little bit of flack from the community – a section within the community didn't want to see us sell that business, regarded it as theirs because they own this company and they should have been able to keep it" (CEO).

The structural changes implemented in EAL were limited in scale and scope. EAL's board and management had chosen to follow a traditional strategic focus that restricted the desire or ability to implement wide-sweeping change. Furthermore, the size of EAL was identified as a significant factor in structural change. The lack of resources associated with a small sized organization was perceived to have denied EAL the ability to develop the organization's structure beyond that of ensuring it would adequately cater for traditional operational requirements. EAL's decision to reverse the separation of network and contracting areas citing a lack of financial viability and competition only added weight to the argument for a traditional strategic focus. Consequently, structural change in EAL took the form of small, incremental adaptations made in response to institutional cues. EAL's structural profile therefore did not significantly differ from that of its predecessor.

"Apart from the amalgamation of those two (network and contracting) divisions it (structure) hasn't really changed" (Network Manager).

4.9.5 Cultural Change

Cultural change in EAL was also limited. One aspect identified as significantly different from the past was the increased focus on marketing following the corporatisation of ECNZ.

"Marketing now is in everything, so it's growing as a culture. Everyone follows that same thinking I think that's the change that's been there and now its just there its just part of it" (Commercial Manager).

However the development of a marketing focus primarily appeared to be a formalization of the traditional community-customer focus approach.

"We've had customer relations courses – customer focus has always been to the fore in any staff newsletters and on occasions the chief executive will write an editorial or something that is sometimes customer based people are just conscious of it" (Financial Controller).

Consultants were used *“only as a coordination type role” (Commercial Manager)* to assist in the development of staff awareness of marketing concepts. Consequently most cultural development took an ad-hoc, reactive approach where *“a lot was self motivated – the people had their own personal individual drives that motivated them in that way of thinking that’s just how it developed really” (Commercial Manager)*.

“A lot of training (was) lead by example, believe in what you’re doing, and that filters through to the people under you. At the time we were developing even the linemen type people the labouring type staff all went through the same training at that time all had to understand what we were trying to communicate” (Commercial Manager).

The small size of the organization was seen to have assisted in the communication of the need for cultural adaptation. There was no introduction of *“outside people at the top level of this organization” (CEO)* to lead radical change. Instead the family like culture produced a high degree of trust between management and staff that reduced the likelihood of tension and conflict and allowed the informal approach to cultural change.

“In many respects it makes it (change) a lot easier. It’s easier to communicate to people you’re not always looking for hidden agendas and what’s up your sleeve. I think it makes it a lot easier for people to trust each other. I think small parochial and stable is where that’s really come from” (Network Manager). *“(In) an organization this size it’s people coming in one on one even wandering around having a yarn to them all those sorts of things” (Commercial Manager)*

The potential for competition did reinforce the importance of the message and drove a change in attitude through the organization, but again because of EAL’s isolation and protectionist strategic approach this was regarded as a gradual adaptation rather than a radical change.

“There has been quite a bit of change in the attitude. If you go back to the old local body type attitudes they have (changed). That’s just been a very gradual change and brought about partly by internal pressures and also because of the threat that other contractors will come in so therefore they’re going to have to act like a contractor” (Network Manager).

Cultural change was further encouraged when EAL embarked on a documentation process to formalize and increase the quality of operational

procedures. However a lack of resources and time to devote to the development of such documents circumvented the programme's completion.

"We have done more of that. I guess one of the things that have stopped us – because we have some extremely high load growth we've been that busy keeping track of that or doing that that we haven't got a lot more of the procedures we should have had addressed. And I think if you look at the Southpowers and Alpines and people like that we'd be behind people in terms of standards and codes of practice and things like that" (Network Manager).

Overall the extent of cultural changes made in EAL was limited. Although a focus on marketing was developed, this was not regarded as a significant shift from the community focus practiced by EAL's predecessor. Furthermore the 'family' type approach to change along with the lack of competition meant that the pressure for radical cultural change was not forthcoming.

4.9.6 Attributes of EAL's Change Process

The story of EAL's evolution is a case illustrative of reactive and incremental development during a time of discontinuous change. Throughout the process EAL's owners and management has reacted to meet the requirements of a new statutory environment. At the same time the relative isolation from competitive forces has allowed the organization to maintain a traditional form of ownership and fundamentally limited strategic, structural and cultural change.

That EAL was first owned and operated as a community trust and then later as a community co-operative indicated to both management and the community that the organization would maintain a traditional strategy. As shown above, this directly impacted on the extent and nature of strategic, structural and cultural change.

In support of current literature on organization change, the background and nature of the CEO was a primary influence in determining the process of change in EAL. The CEO was "a very conservative gentleman he doesn't generate a lot of change himself", an industry insider well embedded in the operating and cultural traditions of the organization. Consequently the CEO was highly aligned with the strategic focus of the board and unlikely to

challenge their approach but more inclined to take follow a conservative board-management approach.

"At the end of the day he's the conduit between the directors and what they want and how it's going to be achieved by the rest of the management team and staff. So that is the filter in the middle and its got to be effective to make the organization effective" (Commercial Manager).

Furthermore, the CEO's ongoing role in human resource management issues enabled him to maintain a hands on, paternal leadership role. As *"there haven't been dramatic changes in the staff"* (Financial Controller), this traditional approach was supported by a group of like-minded long-serving senior managers.

Ashburton's isolation from competition and parochial/rural culture was identified as fundamental in determining EAL's process of change.

"Ashburton does everything in a rural way" (CEO).

The small size of, and the importance that EAL has in the, community influenced the degree of strategic, structural and cultural change deemed necessary or appropriate within the organization.

"It's a very parochial area – it's very parochial quite inward looking very protective in many respects. Even at director level here there is more concern given to individuals and their well-being than there would be in Southpower and the other big Christchurch companies. I think it's slowed the rate of change and the severity of change here" (Network Manager). "The only thing that's a local issue is local parochialism in a rural community like this. Really I think the farmers are the worst of them not willing to change hang on to what you've got and hang onto it tight. (It) slows you down and some of the steps that we're going through could have happened earlier or quicker. It's my natural instinct from a commercial basis to work very quickly but when you've got this sort of process you've got to go through a consultative type political process which can be frustrating" (Commercial Manager).

The social impact of organization change was particularly influential in affecting the management of the process.

"You've got to be conscious that the people you're going to continue mixing with they have got relations that still work here and (have) relations that went down the road (made redundant). You've got to be a bit more softly-softly with it and much more explanatory of the reasons so that they can fully understand the process themselves,

come to terms with it and accept it. There are fifteen and a half thousand in this town but everyone seems to be related to everyone and everyone knows what everyone else does" (Network Manager).

Isolation somewhat protected EAL from the onslaught of competition and minimized the necessity for radical, rapid organizational change and even delayed the process of incremental changes such as documentation.

"I suppose its slowed some of the changes – it comes back partly to our isolation. If you take Southpower as an example all the procedures that they put in place has enabled contractors to do a lot more work. What we find here is there is not a lot of contractors who actually want to do the work. So having the procedures in place- in fact we wrote contract procedures for network faults and no-one else wanted to do it, there was no-one here that wanted to come to Ashburton to do the work. So it was a bit of a futile exercise so our provincial location tends to minimise the need (for change) in some respects" (Network Manager).

However although parochialism and isolation slowed or minimized the impact of change it was not necessarily regarded in a negative light as EAL continued to operate as a successful community orientated organization.

"I don't actually see it as a disadvantage or anyone's lost out from it" (Commercial Manager).

Closely correlated with EAL's rural location was the organization's size. Serving a small community influenced the resources and income available to EAL, which the managers viewed as a limiting their ability to implement both radical strategic and structural change.

"Economies of scale comes into it – power companies have to have size to survive with our own structure and management and what have you which some would argue was a bit unnecessary" (Financial Controller). "Lack of resources is the biggest one (impediment to change) and to a certain extent lack of what would you call it impact I suppose at some sort of national level" (Network Manager). "We've got not so many customers to share our overhead costs around. And we haven't got some of the resources. We can't afford to employ ourselves or engage the resources that a larger corporate organization would be able to afford by the economies of scale that they have" (CEO).

However senior management did not necessarily regard the small size of EAL as a disadvantage.

"Big is not always beautiful as we know from a personal service point of view" (Financial Controller). "I think size was an advantage.

Small was an advantage in the early age of the marketing movement. Smaller size was good because we had less inertia (and) decision making could happen overnight (Commercial Manager) "We don't actually have the depth of knowledge and the skill and the resources of a big organization, but we can react a lot quicker if we want to" (Network Manager). "I think we're small enough so that we can act quite quickly we haven't got the inertia that say an organization ten times this size would have and we can make decisions without involving too many people" (CEO).

Furthermore despite its small size, EAL was able to meet statutory requirements and the demands of the community while introducing structural changes aligned with similarly sized institutions.

"I think we've all done similar things over the years especially power companies of a similar size I think have a similar sort of a staffing structure sort of nothing spectacular or different about it it's just something that falls into place" (Financial Controller).

The historically strong links that EAL had with the community determined the ownership structure adopted by the organization. Primarily concerned with maintaining ownership and control of the assets in local hands and minimizing the impact of change on the community, EAL followed a traditional strategy. Where structural changes were made to EAL, they were implemented in a reactive and incremental fashion. Where changes were implemented that negatively impacted on the organization and/or community – such as redundancies or price rises – senior management laid the blame externally.

"We do we you know do our best to point the finger at the government. They're the bad guys and we're not and I think that's generally accepted by the government because it's true. It is easy for us to say that because we firmly believe that that's the truth" (CEO).

However, overall the degree of organizational change implemented in EAL was limited in nature and extent as the perception of senior management was that 'the job' in EAL had not and was not likely to change and that radical change was therefore unnecessary.

"Our core trade if you like of building and maintaining lines that's unchanged apart from the natural advances. The majority of the people in the organization are the hands on people out in the field (and) they're effectively doing the same job – building and maintaining the lines" (CEO).

4.10 Mainpower New Zealand Limited (MPL)

4.11 Overview

Mainpower New Zealand Limited (MPL) is a small electricity company situated in the North Canterbury town of Rangiora. MPL's service area covers the entire North Canterbury district, a geographically rugged and predominantly rural area of 12,324 square kilometres, making it the country's sixth largest supply area. Power supply for the town of Rangiora was established as early as 1920, but was formally established in 1928 with the formation of the North Canterbury Electric Power Board (NCEPB). Although government legislation forced corporatisation in 1992, MPL's owners delayed their final decision on the ownership structure until 1995 whereupon a community and charitable trust was established. Today MPL provides electricity to approximately 23,486 customers in one of the South Island's fastest growing regions and has a staff of 108. MPL has a particular focus on providing network-contracting services through its contracting division.

MPL New Zealand is a case of reactive organizational change. It is also illustrative of first-order change. Although the changing statutory environment demanded a new commercial focus from the industry, MPL maintained a 'traditional EPB' strategy, structure and culture. The following section outlines the history, context and specific changes undertaken by MPL in response to deregulation.

4.12 The Electricity Archetype in NCEPB

4.12.1 Organization Ownership, Strategy, Structure

Determined by coercive institutional pressures, the pre-deregulation ownership structure, strategy, and organizational structure of the NCEPB conformed to the traditional EPB archetype. The ownership of the NCEPB, as in all other EPB cases, was with a community trust board, which played a fundamental role in the day-to-day running of the organization.

In the power industry, especially in the medium small to medium sized companies the chairman had a role to play (in day to day affairs) more so than the commercial definition of company chairman" (CEO).

By virtue of legislative compulsion and the subsequent tradition of the industry the NCEPB's strategic focus rested on ensuring that all customers within its service area was provided with electricity regardless of cost.

"Reliable secure supply of electricity. (That) used to be the entire mission statement – safe, reliable supply of electricity" (Network Manager).

Structurally the NCEPB also conformed to the EPB archetype, operating under a hierarchical, bureaucratic structure run by engineers

"It was managed by engineers and people from an engineering background and I think that we only had two engineers two managers in its history since 1926 a fellow Buckingham followed by a guy (called) Harris" (CEO).

4.12.2 Organization Culture

The organizational culture of the NCEPB was also reflective of the EPB archetype: an engineering dominated management style and low staff turnover.

The management style at the NCEPB was bureaucratic, a function of the separation of engineering and finance aspects of the organization. However although a formal hierarchy for managing the organization existed, the ability of NCEPB's management to direct the organization with strategic skill was questioned by one respondent. His observation was that the traditional management style was 'ad-hoc'.

"In the old structure we had the chief engineer at the top and he was involved in the engineering function, and we had the accountant and the treasurer or the secretary doing the financial functions and management was the result. And it (management) didn't actually happen by design - it was just whatever came out became the management" (Energy Services Manager).

Some saw this as a problem as management decisions were seen as spontaneous and without much consideration - *"just being a result of decisions made" (Energy Services Manager).*

Due to the organization's small size, the traditional style of management within the NCEPB was also highly personal.

"I would say that the managing director at Power New Zealand wouldn't know two thirds of his first names of his staff (but ours) would know the name of every one of his staff" (Network Manager).

This situation was seen as a strength, as it allowed management to closely control organizational matters.

"We only have that many senior staff, you can count them on one hand (so) the controls over industrial matters is so tightly held that it never gets out of hand" (CEO).

As a result of NCEPB's strategic and structural configuration, which conformed to the archetypal norm of EPBs, the culture of the organization maintained an engineering focus.

"We were in a state of get those (electricity) lines up, build lines. And if we weren't building lines and putting up a transformer up every day there was something (seen to be) wrong" (Network Manager).

However this culture was seen to be appropriate for the context in which the NCEPB operated.

"The culture of the organization was engineering based, and rightly so I suggest, because it was related to the period when electricity was being reticulated in most areas of New Zealand" (CEO).

The NCEPB also reflected the employment pattern typical of rural EPBs. The NCEPB played an important role in the Rangiora community, as it was *"the second biggest employer in this community"* (CEO). As a consequence of this, the organization's rural location and the EPB culture, the NCEPB also had a highly stable work force.

"We don't have staff turnover - we've got very long term serving staff here" (Energy Services Manager).

The power board was also attractive to employees because of its relaxed *"atmosphere"* and locality.

"It's more of a rural atmosphere in the organization. Those that work within the organization that have the opportunity to go home for lunch. Most people go home for lunch it's that sort of (company) – in the cities they (employees) just go to a cafeteria or something" (CEO).

Furthermore, the 'tight-knit' and 'mate-ship' spirit within the Rangiora community carried over into the day-to-day operation of the NCEPB.

"This is a small rural community and that everyone knows each other" (Network Manager). "It's rural it's you know a lot of these people that work here are friends they are the community. They play in the same rugby teams, if they don't play in the same rugby

teams they play against each other, they go to meetings and they help each other in their back yards” (CEO).

This ‘community-spirit’ was particularly evident in the area of labour relations. Although organizations in New Zealand were highly unionised during this period, the NCEPB and community culture created a bond that enabled the organization to avoid a confrontational approach to employee issues.

“One of the culture things that was interesting was there was no (union problems) – people belonged to the union but it was like a compulsory membership thing in the early days – but there was no industrial disharmony” (Energy Services Manager).

The employee profile of the NCEPB workers had a substantial influence on the organization. As long serving members of a substantial community organization each employee had a great deal invested in the organization; not only as employees, but also as customers and, indirectly, owners.

4.12.3 Summary

The NCEPB’s strategy, structure and culture conformed to the EPB archetype. Under a statutory requirement to supply electricity, an engineering focused strategy, structure and culture dominated the NCEPB. The organization had developed a hierarchical structure. The strategy and culture of the organization was also fundamentally affected by its close relationship with the community. The organization was aware of its role and impact as a provider of both electricity and employment to the small, rural Rangiora district. Underlying this was the fact that the NCEPB was run by a community trust with the best interests owned of the community at the forefront of organizational decision making. Therefore NCEPB’s archetype fits the traditional electricity company archetype demonstrated by the other cases: community ownership, a hierarchical structure, a community focus and an engineering culture.

4.13 Organizational Change in the NCEPB

Following the corporatisation of the government owned generation and transmission sector (ECNZ) in 1987, government interest was growing in similar changes being forced on the wider electricity sector. Subsidies of rural electrical reticulation were removed with the decommissioning of the Rural

Electricity Reticulation Council (RERC), a government body that provided funding for rural electricity development.

"Come the late eighties that was (the old ways) all over. The RERC was starting to be wound down and the whole industry and the focus of the industry has changed from an engineering focus to one being commercially focused" (CEO).

And for the first time electricity companies became taxpayers, removing their special company status.

"The first the real trigger for that (change), even though there were a number of studies in the mid-eighties, the first thing that really started the process was April '87 – we became taxpayers for the first time" (CEO).

Aware of the implications for asset ownership and operation that institutional changes similar to those implemented in ECNZ would have on the organization, the NCEPB trust began to investigate the need for the development of a new financially focused approach throughout the firm. This move away from the old engineering focus was seen as *"a paradigm shift" (Energy Services Manager)*, a distinct change from the past that required an individual with financial skills to lead the organization. Such skills were not seen to be present at the top managerial level by the board, but the process of change was simplified with the simultaneous retirement of both the chief engineer and secretary treasurer.

The two most senior people retired within a year – the senior administrator and the senior engineer both retired – and that was a blessing in disguise. That was essential" (Energy Services Manager).

After advertising the position nation-wide, in 1988 the NCEPB appointed a new CEO, an accountant with a background in the electricity industry.

I was with another power company with an accounting background. (CEO)

This appointment was significant. As only the third head of the organization and the first from outside the organization the introduction of a new CEO with a new approach meant there was a potential for significant organizational change.

"When I joined the purpose of my employment was to manage the change transition. It was all going to happen within a year or two" (CEO).

However as an appointment from within the industry he had also been indoctrinated into the cultural, strategic and structural norms and expectations of the industry. This meant that he was savvy with both financial disciplines specifically and the electricity 'ethos' in general. The new CEO and board expected rapid change.

"Chances are this organization wasn't going to last because the reform of the industry was going to overtake it, and they were looking to someone to take it out the other end" (CEO).

However although the CEO was new to the organization, the ranks of senior management remained unchanged.

(Interviewer): "Did you change the people in charge of the different functions?" (CEO): "No one thing that I did inherit was some damned good people!"

4.13.1 The Reactive Change Process

Despite earlier predictions otherwise, the change process was far from rapid. Although the EPB Amendment Act (1988) extended the term of incumbent board members as *"interim trustees"* (CEO) and put in place *"directors designate"* (CEO) the change process faltered. Two reasons delayed the change process. The first barrier was that the government had to seek legal advice on the ownership status of electricity companies. Uncertainty surrounding this issue meant that the government was in no position to force change upon each electricity company. Secondly, the fact that 1990 was an election year meant that the government was eager to avoid the contentious and potentially politically destabilising outcome of these changes. Consequently, a process that was to take months was delayed for years.

"They sat there for three years although it was going to happen in months it actually took three years because there was a change in government and so on - labour government went out national government came in" (CEO).

As a result of government prevarication the industry, according to NCEPB's CEO, remained in a period of 'limbo'. Uncertainty surrounding the final form that the industry would take meant that the NCEPB remained unchanged. It was not until 1992 when the government reached a full and final decision on appropriate ownership structures, the industry framework and timetable for

reform with the Energy Companies Act that the NCEPB began to implement change.

"But it (change) still happened – but it didn't happen until '92. June '92 the Act was passed. But even then it – the corporatisation process – wasn't completed until April '93. The '92 Act also signaled the timeframe for the deregulation of our industry which happened in April '93" (CEO).

4.13.2 Ownership Structure

With the government's policy and timetable for change outlined in the Energy Companies Act (1992) the NCEPB established a board of trustees to run the now corporatised organization – MPL. However, unlike its peers, MPL's interim board chose not to immediately finalize the ownership structure. Initially the CEO lobbied for a radical change in ownership structure. Taking the intent and spirit of deregulation at face value, the CEO's opinion was that partial privatisation would result in the best return for the community.

"I was looking for at least a 50 percent share give away back in '93" (CEO).

This option would result in the full distribution of shares in the company; 2.5 million shares to consumers, five million granted to a MPL Foundation (a charitable trust) and 7.5 million to the MPL Trust for future sale to a cornerstone shareholder. However the incumbent board was concerned with preserving the assets and value of the organization for the local community.

"There was an uneasiness amongst the decision makers. I would have been the odd one out because I would have liked to have seen some shares in the market place pushing the reform. But it was a bit idealistic, and it (the privatisation option) was only changed at the last minute. If we'd had a share give away we would be like Wairarapa Electricity owned by - in fact we wouldn't be here today. And I suppose in some ways that would have been a good thing in terms of reform of the industry - it wouldn't have been good for the individuals that work here" (CEO).

Instead, ambiguity in the law allowed the final ownership structure decision to be delayed. The interim board dissolved and ownership of MPL was vested temporarily with the MPL Trust. Membership of the MPL Trust was determined by the organization, and it was formed on the understanding that a full and final decision on the subject of ownership would be finalised by 1995.

"The company appointed some permanent trustees in '93 and they stayed in place until '95" (CEO).

In October 1995, after three years of observing the development of the operational environment, the MPL board made a final decision on the ownership structure where all shares would be conferred to a new MPL Trust.

"We didn't have an ownership structure sorted out until October 95 when everyone else had done it back in 93, so we were in limbo for a while" (CEO).

In this form eighty percent of the organization's shares would be held by the MPL Trust on behalf of the regions electricity consumers, with the remaining twenty percent held by a charitable trust – the MPL Foundation – whose income from MPL's profits would be distributed to benefit the local community. Subsequently trustee membership was put to a public ballot and a new trust board was elected.

"It all sorted out sorted itself out. Our ownership was resolved in 95, at which time we had an election and a new bunch of trustees came on board as a result of the democratic process" (CEO).

At that time the CEO role was also redesignated to that of managing director. This promoted a closer relationship between management and directors and also created a sense of comfort for the board, whose influence over the organization could more closely be maintained.

"Back in 95 when we were corporatised my role changed from being the CEO to being the CEO as well as being on the board. So I am the link – (I) also carry responsibility as a director so that makes them just that much more comfortable" (CEO).

The closer relationship also ensured that the board and management were aligned in their vision for the organization – to remain community owned and focused. The balance of power and dynamics of this relationship was markedly noticeable in the change in beliefs surrounding the ownership of the organization expressed by the CEO. Previously a proponent of quickly implementing full privatisation, the weight of the board's approach to the ownership issue forced him to re-evaluate his views on change and eventually agree to supporting the status quo.

"I had a particular view on ownership back in '93. If we had pursued what we wanted to achieve back in those days we wouldn't be here today. So I believe looking back on it, it (the delay in ownership

structure finalization) has been a blessing, because we can reassess and reevaluate just where we should be going and take a little more time over it (change)” (CEO).

Once finalised, the ownership structure of MPL fundamentally influenced the nature and extent of organizational change. Driven by a desire to preserve ownership and control with the Rangiora community, the community trust structure confined strategic, structural and cultural organizational change to the first-order.

4.13.3 Strategic Change

Although MPL pursued a strategy similar in appearance to its predecessor, institutional changes had forced a shift in operating priorities. Required to operate as a fully corporatised entity, MPL shifted away from its engineering focused strategy and instead moved to meet statutory reporting requirements and improve operating efficiency by focusing on costs.

*“That (accounting focus) was a paradigm shift” (Network Manager).
“Its actually changed the thinking of engineers as well to be honest - we’re more utilizing our assets today fully utilizing what we’ve got rather than building it up” (Energy Services Manager).*

This focus on costs saw a change in decision making away from investing in networks for the sake of ensuring security of to ensuring value for the dollar – that is, as in other organizations, a cost based decision making process was instituted in place of ‘gut feeling’.

*“The challenge I think when the CEOs became accountant driven was that we actually got true management” (CEO). (Interviewer)
“What do you mean?” (Energy Services Manager) “Proper management of direction of strategies instead of them just being a result of decisions made they were conscious decisions that were then followed through”.*

However rather than challenge the traditional strategic focus, this new cost-focus complemented the existing framework by forcing efficiencies throughout the organization. Consequently few problems were encountered.

“Once we got an understanding between the engineering function and the accounting function – that the accountants don’t do engineering and the engineers don’t do accounting – it worked really well” (Energy Services Manager).

A significant strategic opportunity was MPL's consideration of a proposal to merge six electricity organizations together to form a larger conglomerate.

"One of the early initiatives was to put six together ourselves in fact it was the whole top South Island. We have many reports written by consultants and it should have happened in my opinion" (CEO).

Such a strategy had not been possible in the previous statutory environment, and if implemented would have embraced the intent and spirit of the government's legislation with the potential for significant financial savings through scale economies. However the concept was fundamentally undermined by each trust, as the primary concern of all organizations remained with maintaining ownership of the asset and its inherent value for the local community. The protectionist culture, inherent to MPL and all other community trusts, meant that consideration of a merger was at best an aborted excursion.

"It did not happen because it was premature, the cultures within the other organizations were not ready for it" (CEO).

The ownership of MPL fundamentally determined the strategic direction of the organization. Although the board was identified by senior management as commercial and no longer strictly concerned with the 'day-to-day' affairs of the organization:

"The ownership structure influences (us) strategically, the ownership structure and the make up of the directors. (However) the directors of the company are solely limited to policy and direction" (Energy Services Manager). "We have a commercial board and they understand very clearly where the line is between board and management" (CEO).

The underlying protectionist policy and culture of community ownership remained unchallenged, which prevented the pursuit of more radical strategic options such as mergers and full privatisation.

4.13.4 Structural Change

The CEO, hired by the board for the express purpose of implementing change, managed and drove the structural change process in MPL. The CEO was recognised as *"very important, critical to the organization's success"* (Network Manager). However despite the CEO's initial desire for the radical transformation of MPL, board restrictions placed on strategic options available to strategic management resulted in a series of evolutionary and reactive

structural changes implemented to meet statutory requirements. Consequently the change process was not considered to be radical in nature and consultants were not employed to assist.

"There were a number of restructurings here. (Consultants weren't used) because it was an evolutionary process whereby it was all in hand. There was no necessity" (CEO). "It wasn't as though it was heading to court or anything like that where you need the legal profession supporting you in some way" (Energy Services Manager).

The process of structural change was a case of coercive isomorphism.

"It's not of our own making that it's a result of government legislation" (CEO).

Statutory obligations above all else determined MPL's final structural configuration.

(Interviewer): "Have other organizations influenced MPL?" (CEO): "I don't think so. I suppose the organization that has had a real influence on our organization has been the government – legislative change and the need to do it (change). We've made our own decisions as we've seen fit. I don't believe we've taken into account what others have done."

In the process of structural change MPL formally recognised, separated and renamed divisions within the formerly integrated business. The primary force for this separation had been tightening of information disclosure regulations associated with the Electricity Companies Act (1992). Under this legislation electricity companies were required to increase the 'transparency' of financial transactions by financially separating traditional monopoly (lines) and potentially competitive (electricity retailing, contracting) functions.

"We have set up a structure in MPL that fully recognizes that we have three businesses. We are a lines business, an energy business and a contracting business. We structured the management of those businesses and the financial reporting of those businesses and they all have their own balance sheet and their own budget so that at a moment's notice anyone of them could be cut adrift" (CEO). "We got back to core business and separated the businesses far enough so that they could be divested" (Energy Services Manager).

However, although this process encouraged the theoretical consideration of divestment, the results of the restructuring process were far from radical.

Instead MPL renamed and tightened the budgetary control of traditional functional areas.

Substantial structural change could have resulted from the divestment of areas of MPL's operation. MPL did sell its appliance retail business and household wiring activities, a significant move in that MPL would no longer provide the traditional total energy service.

"We made a conscious decision to get out of any business that we concluded that we shouldn't be in. And I guess MPL was one of the first in New Zealand to divest or get out of anything to do with appliances, repairing, house wiring and straight out domestic electrical work. When I arrived we used to repair fridges and toasters and we had three shops and so on. So we got rid of all of that" (CEO).

However the implications of divestment were far from radical. Each of these business areas was considered 'non-core' – that is not part of the fundamental business of 'lines and transformers'. Furthermore, these business units operated in a highly competitive, low-margin commercial industry, which lessened their contribution and value to the 'core' business. The opportunity that divestment presented for the implementation of change on a wider organizational scale was not pursued.

MPL also pursued the acquisition of a similarly sized electricity contracting businesses. This resulted in the purchase of a neighbouring organization's contracting division with the view for expanding the policy further.

"We bought Tasman Energy's contracting company in Nelson and we'd like to get one or two others" (CEO).

Again, just as with the divestment of appliance retailing, the acquisition of another business could have provided the impetus for widespread organizational change, enabling the introduction of a widespread change programme that could fundamentally alter the strategic, structural and cultural configuration of the firm. However the acquisition of the business was not seen as anything other than expanding MPL's ability in a traditional operating function.

"At some point we're going to put them all together and their own board of directors and let them get on with their own thing. Now that won't happen for a year or two, but it will happen. And the

chances are what I'll do in the first instance is just do the ownership split leave the industrial environment intact no changes just give them notice that they now work for 'XYZ' limited and contract the entire management back to MPL. Nothing changes except working for legally another entity – they won't notice any other change" (CEO).

The purchase of another contracting company was aligned with the electricity-focused culture of MPL and the wider electricity industry. Consequently the acquisition did not encourage radical transformational change, as it neither threatened the strategic, structural and cultural status quo of MPL.

Redundancies were an issue in MPL. As a major employer in the community, MPL had and continued to play a significant 'social-welfare' role. However as commercial (cost-focused) strategies were introduced to all profit centres, it became evident that the organization was overstaffed and redundancies were implemented.

"For sixty years they (staff) were comfortable – we had about 160 staff back in those days. And when we came out the end of that phase we were just under a hundred" (CEO).

However, the redundancy policy over the initial change period was one of natural attrition. Using a sinking lid policy – where individuals that left the firm were not replaced – the management of MPL avoided a confrontational approach to the process. This approach essentially preserved the traditional job for life mentality and appeared to conform to the community focused concerns of the community trust. Very few staff left in the initial round of redundancies, with those over fifty offered a retirement package.

"There was some resentment because I got to hear about it but at the time a number of those that took advantage of it appeared to be reasonably comfortable with it" (CEO). (Network Manager): "If you go back to the eighties there weren't that many redundancies in that first round were there?" (CEO): "Yeah lots – we had three years of sinking lid." (Energy Services Manager): "Where people walked down the road there was only actually a handful of people that walked at the end of the day."

However over the reform period the organization reduced its staffing level by over one third. Yet despite the significant reduction, employees were not perceived to have blamed the organization for the situation, but rather projected responsibility on the government.

"There is a realization out there that it's not of our own making that it's a result of government legislation" (CEO).

Strategic management did not visibly challenge this opinion.

4.13.5 Cultural Change

Although the deregulation of the electricity industry threatened significant change, MPL was able to implement changes that allowed the organization to meet both statutory requirements as well as maintain traditional cultural values and expectations. Consequently there was no perceived need for significant cultural change beyond the need for a focus on efficiency.

The Employment Contracts Act (1992) was used as a tool to reduce union influence in the operation of MPL. Exploiting the cultural values of the organization to his advantage, the CEO sought direct control of employment contracts and appealed to the 'job for life' mentality by promoting individual contracts as a means to enable organizational flexibility, profitability and thus secure job security through organizational success.

"There is a mentality which I've continued to promote in this organization and that is one of job security comes with success if we run a successful company then I can guarantee those job security" (CEO).

However, far from a tool for transformational cultural change, the use of the Employment Contracts Act (1992) to create a stronger organization-employee bond helped maintain the traditional cultural 'paternal' role of the organization and reinforced the employees' sense of 'ownership' of their electricity network. This approach found overwhelming support as a result of the combination of poor union representation and the traditionally amicable labour relations environment.

"There was a move away from union association. From a hundred percent union to almost one percent in a very short time because there was gross dissatisfaction at the union" (Energy Services Manager). "There was a realization that the organization that was actually paying the wages and (that) the organization that they were working for actually cared about them. And as I said it wasn't of our making it just happened where there were a number of meetings staff meetings, a number of votes and the next thing I knew everyone was out of the union and everyone was signing their individual employment contracts" (CEO).

The negotiation of employment contracts did not have a significant effect on the organization's culture. However problems did arise following the development of a new management position dedicated solely to industrial relations.

"There was no industrial disharmony until we had somebody appointed (as) personnel management and industrial relations officer. It was more the person than the position that sewed a negative seed - you know (staff were saying) 'Don't trust that CEO fella or you'll get screwed'" (Energy Services Manager). "I put it in (the industrial relations position) because I needed someone to monitor the impact of restructuring on the organization, and there was a negative aspect to that (appointment)" (CEO).

This problem was solved with the CEO dealing with all labour relations matters himself.

"That position lasted about two or three years (then) I took it over." (CEO)

Rather than challenge the status quo, the CEO used the Employment Contracts Act (1992) to promote and maintain a stable 'paternal' environment. This approach harnessed the existing community-spirit to develop a team approach within the organization, increase efficiency, maintain stability and ensure maintenance of the operational status quo.

The introduction of an ISO programme to document all operational procedures was adopted by the organization initially to improve the organization's ability to meet statutory reporting requirements, including financial reporting and OSH (Occupational Safety and Health) audits.

"There's certainly a lot more quality legislated requirements in our work - we've introduced ISO systems and all of that to try and keep up with it" (Network Manager).

The documentation process was also recognised as an important tool in implementing and embedding operational changes, primarily the development standardised procedures and safety protocols.

"They're (ISO processes) are important to the culture. If you're trying to introduce change they become an acceptable driver to the culture. It's really easy to instill change what you do is make that change part of your ISO requirement" (Network Manager).

Furthermore, the CEO recognised that the ISO process encouraged participation in the development of the organization and a sense of individual ownership of the organization.

“It’s more important than that – it encourages pride in the whatever level you are in the organization. You’re part of that quality and that success and it doesn’t matter if you’re a linesmen or a manager you feel that you own part of it that you work for MPL” (CEO).

Again, rather than challenge the status quo, the ISO documentation process provided a means to meet institutional requirements and refine operational procedures. From a cultural perspective the ISO process, rather than change the traditional cultural values and ideals, harnessed and reinforced the sense of community-spirit, pride and individual organizational ownership already present within MPL.

4.13.6 Attributes of MPL’s Change Process

Similar in nature to the BEL and AEL cases, the MPL case provides us with further evidence of the variables that fundamentally influence the process of organizational change.

The ownership structure selected by MPL had a significant effect on the nature and extent of change. Although MPL’s strategic management identified that there was now “a commercial board”, the concept of operating ‘commercially’ appeared to be limited to shifting away from involvement with the day-to-day management of the organization and meeting the statutory requirement to operate as a profitable commercial enterprise.

“They’re not involved – it is not acceptable for them to be involved in day to day running and they do not make an attempt to” (Energy Services Manager). “It’s more commercial focus and you can see that in our mission statement (compared) to what we had before” (CEO).

Although the organization may have been operating more efficiently than before, the board’s selection of the community trust form of ownership fundamentally prevented the introduction of second-order change. Instead, the community-trust structure protected traditional underlying community-focused values and beliefs of the organization from radical strategic, structural and cultural change. This was clearly illustrated when the CEO was forced to

reassess his push for full privatisation of MPL. As a consequence of the protectionist approach of the board, structural and cultural organizational change was confined to the first-order.

Initially employed for the purpose of instituting organizational change in MPL, the CEO saw himself as a transition manager. However two factors associated with his employment reduced the likelihood that change would be radical and discontinuous in nature. Firstly, as a board appointment, the trust could ensure that the mindset of the CEO was aligned with the conservative aims for the organization. Secondly, having worked for many years within the electricity industry as an accountant, the CEO was well indoctrinated in the traditional values and norms associated with EPBs. Consequently, although the CEO was recognised as important to the change process, his role was primarily restricted to overseeing the introduction of a financial focus to the organization.

"I think its been extremely important in the period we've been through that we've had an accountant actually running the organization. I'm not sure whether an engineer would've applied the same methodologies especially taking it right down to the budget level, capital maintenance for reviews" (Network Manager).

Strategically 'hamstrung' by the community-focused trust, the CEO maintained the centralised role traditionally filled by his predecessor. This was particularly evident in labour relation issues.

"I mean it's very rare within an organization, even a small organization with a hundred staff, where the managing director controls all industrial matters. In my filing cabinet there is everyone's personal files. I negotiate all employment contracts with input from the managers" (CEO).

This CEO defended this approach.

"I have an umbrella view - I understand the relativities. They (other managers) are responsible for a particular part of the organization and don't have access to all of the information that's peculiar to some other managers' area. I have that and I keep in keep track or get involved to the point that everything remains in balance" (CEO).

As a consequence of the board's restriction on strategic options and the CEO's indoctrination in and alignment with the traditional norms and values of EPBs, the nature and extent of organizational change was restricted to financial and structural adaptations to statutory requirements.

MPL's rural location affected the nature of organizational change. The small size of the community and MPL's position as a large employer meant that being rural was perceived as a weakness, particularly surrounding issues of restructuring and redundancies.

"There are weaknesses" (Network Manager). "Especially the fact that this is a small rural community and that everyone knows each other. But that (being small rural company) does impact on you know the relationships and the organization you can't avoid that" (CEO).

MPL's status in the community when combined with its rural location also reduced staff turnover and acted as a barrier to the development of organizational change through the introduction of 'new blood'.

"We don't have the staff turnover we've got very long term serving staff here to the point where it's a worry" (Energy Services Manager).

Despite the industry's deregulation, MPL's rural location also reduced the likelihood of competition immediately affecting the organization.

"Not that that (deregulation) had a major impact on our culture as it didn't create an operating environment that allowed effective competition – there was competition but it was just marginal" (CEO).

MPL's close ties with the community and low staff turnover reduced the impetus for internally driven change which, compounded by the lack of external motivators in the form of competition, minimised the urgency for and likelihood of radical strategic, structural and cultural change.

The size of MPL was identified as a significant constraint on the ability of the organization to implement change. The small size restricted the organization's access to resources, particularly monetary, which meant that it was unable to pursue radical strategies similar to the organizations larger contemporaries – or "sleeping giants".

"You've only got to look at what Power New Zealand has done in the last two or three weeks the acquisitions they've made they're going out to borrow over a billion dollars to pay for them a billion dollars and we worry about fifty bucks" (CEO).

However, although size was identified as a restriction on the strategic options available to MPL, it was perceived as an advantage in implementing structural and operational change.

"One thing about being a small organization is that you can do things reasonably quickly, you don't have to go through committees and councils" (CEO).

This was particularly noted in relation to issues of industrial relations, where the small size of MPL was perceived to allow a more personal approach to implementing, and enabled a greater deal of control over, the process of change.

"Our in house industrial arrangement has worked and worked I would suggest extremely well. And my guess is that one of the reasons why its worked is that particularly when you only have a hundred staff which means we're not a big organization. the controls over industrial matters is so tightly held that it never gets out of hand" (CEO).

Despite the deregulation of the electricity industry and the employment of a new CEO, the control exerted by the community-trust meant that the vision for MPL's future focused on maintaining the operational status quo. This approach rested on the belief that there would always be a need for a specialist rural electricity company such as MPL.

"I believe there is an opportunity in New Zealand for a rural type - a company that specialises in rural based networks" (CEO).

Although there was recognition that environmental change could force the sale or demise of MPL, ongoing resistance to and the slow implementation of legislative change meant such a scenario was not perceived as an immediate nor realistic threat.

"In time I think (change) could happen, but it's not going to happen overnight – in fact it won't happen - I don't think that it will happen - in the next 5 years. It'll be very slow unless the (monetary) numbers become so attractive that the trustees have no alternative but to sell (as) legally (required) under the trustee act. That could happen, but I think it'll be resisted" (CEO).

The case of organizational change in MPL is illustrative of a process of incremental and reactive change. This process in the first instance was determined by the ownership structure chosen by the organization. The values of MPL's community-trust structure remained aligned with the traditional and

over-riding concern for the welfare of the local rural community. This fundamentally restricted the degree of strategic change acceptable to the organization that, despite early moves to implement change in the organization through the employment of a new CEO, dictated the nature and extent of structural and cultural change. Consequently the process of organizational change was slow, incremental and reactive.

"Here we are ten years down the track and it's (change) still ongoing basically – even I thought it was going to happen a lot quicker than it did" (CEO).

Chapter Five

Cases of Archetype Transformation

5.1 Introduction

This chapter describes the process of organizational change implemented in four of the organizations that form this research as experienced by the senior management of each. In anticipation of environmental change associated with the deregulation of the electricity sector these organizations – Dunedin Electricity Limited (DEL), Southpower Limited (SPL), Power New Zealand (PNZ) and Electra Limited (ELL) – followed a transformational process of organizational change. The extent and scope of change implemented in these cases conforms to Greenwood and Hinings' (1988: 304) definition of archetype transformation, with each organization 'decoupling' from the establish institutional archetype to later 'recouple' with a new design archetype.

The process of organizational change is traced in depth through the use of direct quotes from participants, which are highlighted in the text through the use of italicisation.

5.2 Dunedin Electricity Limited (DEL)

5.3 Overview

Dunedin Electricity Limited (DEL) is the Dunedin City Council (DCC) owned organization that serves the city of Dunedin located on the Otago Peninsula in New Zealand's South Island. With 128 staff DEL supplies 49,864 connections to a predominantly urban area of 1,101 square kilometers. DEL's history stems back to activities that began in 1904 when the Waipori Falls Hydroelectric Company Limited constructed the Waipori Power Scheme, New Zealand's largest private generation facility. The predecessor to the DCC acquired this company for the city in 1907 and continued the development of electricity generation and distribution, later under the auspices of the Dunedin City Council Electricity Department (DCCED). The DCCED continued to operate as an arm of local government fundamentally unchanged until June 1990 when the DCC forced the corporatisation of the DCCED to create Dunedin Electricity Limited. This radical departure from tradition was initiated by the DCC in anticipation of the development of a competitive operating environment while taking cues from the changes introduced to the government's generation and transmission businesses. Convinced that similar changes for the distribution sector were imminent the DCC initiated change in its MED to increase financial and operational efficiency in a bid to protect control and ownership of the organization's assets. However in a change path similar to that seen in Southpower, as the boundaries and norms of the operating environment solidified and the pace of environmental change failed to meet initial expectations, DEL's strategic, structural and cultural change process took a more reactive approach.

5.4 The Electricity Archetype in DCCED

5.4.1 Organization Strategy

The DCCED conformed strictly to the electricity company archetype. Strategically the organization was bound by legislation to *"have a safe and reliable supply"* (*Electrical Services Manager*). As has been identified in all preceding cases, the process of strategic decision-making was a highly political, centralized and bureaucratic affair. Typical to MEDs, a local

government committee, comprising of councillors concerned with maintaining tenure, dealt with all strategic and politically sensitive issues.

"The Dunedin City Council Electricity Department reported to an electricity committee of council. The reports on price increases all would have gone to an electricity committee in the past and a more political decision would be made there" (Network Manager). "I was appalled at how bad things were when I got here compared to the Government - the central Government I thought that was bad enough. Here it was a damned sight worse and I understood why with a bit of digging. Prior to my arriving, and it happened long before my arrival, all the electricity business of a strategic nature was discussed at council meetings with the press present. When I first came along the press used to trod in and sit on the chairs along one wall, because the company hadn't been formed yet. You could not debate any strategic issues without the staff or the public reading about it in the Otago Daily Times the next morning. You did not have time to discuss - to communicate - with your own staff what had been discussed at the board table. You didn't have the ability to keep anything quiet in order to manage its release - it was appalling" (CEO).

As was the norm for all electricity companies, the chief engineer and general manager strictly oversaw the implementation of this strategy, fulfilling the command and control role that came to be associated with the sector.

"In terms of the decision making process there, pretty well all the decisions were made by chief engineer or the general manager. There was no decision that wasn't made there" (Network Manager). "In that environment the general manager could not afford to have new information put in front of him, he'd be embarrassed to (not) know anything about it (operational issues). So what evolved was that nobody did anything unless the general manager approved it. I got here my secretary, (she) was the secretary of the previous three general managers, trots through with this mail and asks 'What do we do now?' We sit down and open the mail. I don't know why but I go along with it for a little bit and we start opening mail. A nice long table with this huge big office that the general manager used to have and she started opening the mail. And she'd pass it to me and I'd look at it and she'd say 'What do you want me to do with it?' I'd say 'Well give it to Joe, give it to Fred'. And I began wondering why I was doing this - why isn't she doing it? It was the way it had always been - the general manager would read the mail, would decide what action was required and would dictate instructions. And they'd be 'Fred, would you look at this letter. I believe we should do this here, implement it, come back and tell me why you think I'm wrong.' And she (the secretary) would with dictation take him those notes and they would go down with the letter. We'd get through that and she said 'Now I need you to sign all these letters', and she hands me a whole bunch of letters. And it's trivial stuff you

know - rebates of deposits of connections and all kinds of crap. And I said 'What am I doing this for?' And she said 'Well nobody else is allowed to sign correspondence.' Unbelievable!" (CEO).

With legislation protecting the organization from competitive pressures and providing the strategic focus, the DCCED's sole concern lay with the creation and maintenance of an electricity network. All strategic management decisions were made outside the organization.

"When I came here there was forty eight corporate people, and a lot of corporate work was done outside - the thinking corporate work was done in other places" (Corporate Services Manager).

This resulted in an organization focused purely on the physical/engineering aspects of the business with little regard to economic feasibility or accountability.

"There was no such thing (as financial accountability) – as long as the job was completed, satisfactorily completed, it was considered a success. Basically budgets came and went. There was an audit trail if you wanted to find it. But there was nobody too worried about it" (Electrical Services Manager). "Generally (there) was only direct costs being charged. Depending whatever resources they had or whatever costs they generated, they requested a budget to support that whether or not the expenditure was actually needed. The true costs of doing work wasn't properly identified" (Network Manager). "Generally these local government owned organizations had over engineered everything and over maintained everything because there was no commercial pressure to do anything else. It was a monopoly asset and, you know, you built the best buildings and built the best wires and whatever" (Chairman). They all had the mission statement on the wall; "Dunedin Electricity exists to provide safe, efficient and reliable electricity. It was printed by the electricity association, signed by the national president. There was not a measure in the company for safety, reliability, efficiency or economy - not a bloody measure!" (CEO).

5.4.2 Organization Structure

Just as the strategy of the DCCED conformed to the electricity company archetype so too did the structure.

"The old MED was organized like a triangle – something very, very deep – it was whatever the opposite of flat was – unflat. The general manager made all the decisions, and then he had two or three people reporting to him, and they had two or three people reporting to them, and then they had two or three people reporting to them. And it just went down and down. I think - at the corporate

level - I think there was six layers just at the corporate level at the time. You had chief clerks and senior clerks, and down to whatever the person answering the phone was" (Corporate Services Manager).

Similarly, with no compulsion for strict financial accountability, the DCCED also lacked rigorous reporting and infrastructural support systems.

"The previous systems – you'd be struggling to call them systems. In terms of the paper flows, all the paper, all the clerical people used to be on one floor they used to occupy a whole floor of this building. And sitting in the corner was one man who was the Chief Clerk and all the paper used to go across his desk and what anybody did he had to have a look at it. He had a huge pile of paper on one side of his desk, and a huge pile on the other, and all these people just used to feed him the information, and he just used to follow up the systems and procedures that had been in place for twenty or so years. A lot of them were redundant - there wasn't even any need to do them. We had the ludicrous situation where we had a full time person paying a hundred and thirty people and we had a full time pay clerk. And it was really just because a lot of the systems were antiquated and a lot of the practices we were using were bad news" (Corporate Services Manager).

5.4.3 Organization Culture

The DCCED also conformed to the cultural archetype of the electricity industry. Engineers and electricians that had 'grown-up' within the MED dominated the organization.

"A lot of the staff within this department had come in as apprentices and school leavers, and they hadn't had the opportunity to see what the state sector and the private sector was like. They had no idea they were... this local sector was all they knew, so they had nothing to compare it against" (Operations Manager).

The 'job for life' mentality typical of the electricity industry archetype was also evident in the DCCED. There was "almost nil turnover" (Network Manager) within the organization and salaries were tied to length of service "there used to be merit increases, once you got them you got them for life" (Network Manager). The combination of low turnover and the hierarchical, bureaucratic and technical nature of the industry meant that it was difficult for individuals to advance through the organization. The knowledge of senior staff members was not readily shared to ensure continued maintenance of status.

"The real problem was of course it was really difficult for people to step up through the structure. And knowledge was seen as a

power base, and information was a power base, and you didn't share your knowledge with anybody or you never told them exactly what they wanted to know. So if anybody ever wanted to know something, you told them eighty five percent of it and just retained that other fifteen percent. So it was an attitude thing as well" (Corporate Services Manager).

Consequently a highly formalized and inflexible culture developed within the DCCED, with clear lines of demarcation where *"nobody did anything unless the general manager approved it" (CEO)* as there was no recognition or encouragement of personal development.

"We were inflexible. We found too much your job my job. Demarcation was quite a bad problem - that person (the Lines/Cables Manager) was particularly that way. He had grown up through the ranks and been a line mechanic, and he was focused there was only one way to do it - only one way we've done it all the time, because that was the proven way. (Assistant CEO, Contracting Manager). "If you can imagine something that was non achievement orientated, you know people just came to work and had a happy time and went home. And what they didn't finish today they just did tomorrow and if it didn't happen tomorrow it happened the next day" (Corporate Services Manager).

5.5 Anticipatory Change in the DCCED

5.5.1 Governance Developments

In 1988, following central government legislation, local body government was undergoing a period of significant reform that required municipal authorities to amalgamate. In reaction to this process the DCC began to restructure all council departments to develop potential financial and operational benefits for ratepayers. The restructuring process also included the council's electricity operation, which came under particular council scrutiny when structural and strategic changes were brought upon the Electricity Corporation of New Zealand (ECNZ) in the same year. The reorganization of ECNZ and associated political rhetoric alerted councillors of the DCC that changes to the nature and focus of the industry were imminent. The DCC's primary concern was *"trying to ensure that business is retained in the city" (Chairman)*, which was under threat without proof that municipal owners could run an efficient company. In an anticipatory move to protect its interests and assets in the electricity sector, the DCC established New Zealand's first commercial board.

"The business (was) formed into (a) company with separate board of directors to be operated on a commercial basis. And that was the driver to do things better. And then when the board picked it up we said "Well we've got to". I mean our vision was to be the best in New Zealand" (Chairman).

Comprised of local businesspeople, this board was given the authority to implement the changes necessary to create an efficient and sustainable electricity operation.

"They (the council) had they appointed one or two outside people outside council, people with business interests and pretty right wing views compared to what the council had in those (old) days and says to them 'OK, we want this business run properly', so they appointed them" (Corporate Services Manager).

5.5.2 Strategic Change

This initiated a process of strategic review. The board envisioned a new strategic focus based upon achieving profitability through growth. Taking into account disadvantages related to geographic location and resource availability, the strategy focused on ensuring council ownership by achieving efficiency through the transformation of the MED into a high quality, growth and profit focused commercial operation.

"It started with a strategic plan, because we identified the areas where the business would grow - and that's pretty hard sometimes in a monopoly. And it was the contracting area that we identified as being something that could grow, we could do other work on other networks and develop specialist skills for private work and cable work and other things that were allied to, you know, to electricity line businesses and the areas that... So the areas that we wanted to grow we were able to force a commercial model in more quickly than other areas. That involved I guess some review of the management structure" (Chairman).

The first measure the board and council took to develop a commercial electricity operation was the involvement of consultants Arthur Young. Arthur Young was commissioned to review the MED and recommend changes to the organization's strategy, structure, infrastructure and culture that would assist the development of an efficient and sustainable electricity operation. The consultants found that although the organization was an effective provider of electricity, efficiency was impeded by a lack of a clear strategy, a cumbersome structure, poor infrastructural development and a 'non-achievement' culture.

Arthur Young proposed a plan for the radical restructuring of the MED which involved the implementation of widespread structural, managerial and cultural change.

“Arthur Young became an instigator in the (change) process, recommended that they (the council) restructure electricity and they proceeded on their course” (CEO).

5.5.3 A New General Manager

In light of Arthur Young’s findings and recommendations the board immediately began the search for a new General Manager (GM) and senior management team to lead the MED through the change process. The review report suggested that the incumbent MED managers did not possess the skill or focus necessary to implement major strategic and structural reform. The board *“decided to advertise the chief executive’s position and corporate services manager’s position just to see what sort of response they got. And then all the internal people got the chance to apply, and external people applied” (Corporate Services Manager).*

“The board just says ‘OK, this is what we’ve got to do and the first thing we’ve got to do is these are the changes we want. Can the current people provide it?’ (Corporate Services Manager). “They (the council) proceeded on their (Arthur Young’s) course and they and they (the council) went out to get a chief executive. Their incumbent here had grown up inside the company, they did not perceive he had the skill the focus to lead the changes necessary (so) went outside to get somebody, they got somebody” (CEO).

In 1989, the board appointed an ‘outsider’ to the position of GM. However despite having announced the appointment publicly, after six months of protracted contract negotiations the negotiations broke down and no appointment was made.

“The guy they appointed diddled around, and in the end they broke off the negotiations. So that caused terrible difficulties here for morale, because they announced who the person was before signing any documents, and they couldn’t reach agreement” (CEO).

In October 1989 the board made a second appointment. Although an engineer by training with years of experience in the New Zealand electricity industry, the new GM had not risen as tradition dictated ‘through the ranks’ of the organization but was instead selected for his ability as an engineer, accountant and change manager.

"I was '2IC' (second in charge) in Southland (Electricity), so it was a promotion for me. While I'm an engineer by training, I moved into the commercial side in Southland, and I acquired a interest and focus on the accounting side of the business - which went back into my Chief Engineers days. And I think those two things counted greatly - without that as an engineer I wouldn't have got here" (CEO)

Once a self confessed "dyed in the wool public servant" (CEO), the new GM's attitude and focus had changed during his employment with the ECNZ owned Southland Electricity. Changes there due to ECNZ's restructuring had enabled him to develop financial and managerial competencies that Dunedin's MED board was looking for. Furthermore he was also skilled as a change manager, having implemented new financial systems and procedures in Southland Electricity.

"Because ECNZ ran Southland I moved in the commercial area, and at that point I actually started preparing the company budgets for the whole company - because the company cash flows were dominated by electricity revenue. And previously that had not been part of the chief engineers perspective - he was only looking at operation and maintenance of capital. The billing side was all left with the accountant, and it was a mystery to anybody else. As commercial manager I took responsibility for the retail sales and the bulk purchase of electricity. And so what I did, job costing focus on accounting initially, and then moved into the company into the company forward planning - financial planning - all with no accounting background - probably could only have happened in the public service! But that's I'm sure what got me the job here. I wasn't an engineer just coming here, it was the other skills that Dunedin was looking for" (CEO).

However selection of the GM was not solely based on industry experience as the board considered it equally important that the GM share their philosophy and vision of growth for the organization

"As Chief Executive (he) is a guy with a tremendous amount of experience in the industry - probably one of the most experienced electricity Chief Executives left in New Zealand. His vision was the same as the boards so that made it a lot easier" (Chairman). "(My) focus and determination to get information, getting people to use that, I think got me the job here" (CEO).

Following the GM's appointment other key changes occurred to assist the transformation of the organization including the removal of media coverage of board meetings and the retirement of the former GM from the board.

"The key in the first instance was getting the press out of the board room. That meant that I could afford to be surprised and it wasn't going to be blazoned across the ODT front page "Chief executive ignorant of business operations" and all this sort of crap. We got the press out in about two or three meetings. The other constraint that disappeared quickly was the former chief general manager was on the board when I arrived. But he'd gone within a month, and that was to my relief. I didn't arrange for that, but I was relieved when it happened because he would have been too much of an anchor on the changes that were needed" (CEO).

5.5.4 Structural Change

On his arrival the GM found an organization sceptical of change.

"I got here the morale was terrible, confusion was rampant and everyone was convinced that within my first week I would sack a third of the staff" (CEO).

However the CEO's first concern was to review the electricity department's structure using Arthur Young's recommendations and appoint senior managers to each redesigned position. The consultants had recommended the physical and accounting separation of DEL's functional areas into core profit centres - contracting, network and generation. The motivation for the creation of profit centres was two-fold: to develop awareness of the true cost to the organization of various services and to stimulate cultural change.

"(We were) breaking away from the old school there. Everybody did everything for everyone's good, and two guys had a problem they got together and sorted out a solution - never mind who was bearing the costs - they never knew the cost" (CEO).

Over a period of two weeks the GM reviewed the structure and although he agreed with the majority of recommendations he further separated and fine-tuned aspects associated with engineering that he believed would assist in the development and growth of the MED. The GM prepared the final organizational structure, splitting the business into four core functional profit centres;

1. Contracting: amalgamated electricity technicians, workshop and lines;
2. Network: separated from contracting to create a new division concerned with the planning and administration of the network;
3. Marketing/retail: a new function separated from the traditional network area solely focused on customer needs and the buying and selling of electricity;
4. Generation.

This new organizational structure was intended to create a more commercial structure in anticipation of the development of a competitive electricity industry.

With the organization's structural form finalized the GM began to determine the composition of the senior management team. Three senior managers were 'let go'.

"There were people inside that had to go. We got rid of three people all clearly elderly senior people in the company in those first two weeks they were all difficult exercises. But they had to be done that was clear because they were never going to bring the change. They had been trained in the council ways for thirty or forty years and were never going to make the changes" (CEO).

With assistance from the board, which insisted on being involved in the process, the GM selected individuals to take each of the available managerial positions. Three outsiders were appointed, two to the newly established functions of corporate services and marketing, another to the extant but redefined role of financial planner. The remaining appointments – the traditional contracting and network functions – were made internally.

"The GM employed an outsider as marketing manager to look after the retailing, and the three of us (corporate services, marketing, financial) were outsiders and two inside people (were) appointed to other roles (network, contracting)" (Corporate Services Manager).

With the new management team assembled, the GM took them all on a strategic retreat to develop an aligned vision and strategy for the MED.

"We went through all the typical bloody drama that went on during that period, with silly bloody motivational course and all that rubbish and nonsense. We did a lot of analysis of business analysis and all that sort of crap; we had retreats in Central Otago, and I guess it - in the long run probably was the right general direction - but a lot of it's bullshit" (Operations Manager).

Although some held the process in little esteem, the new team emerged with a new focus on leading the organization to the forefront of the industry through continuous improvement and cost competitiveness.

*"The buzz word - continuous improvement is our logo thing, you know, in our strategic plan. And that's what it's all about all the time - just doing better all the time, finding better ways of doing things and examining what we're doing" (Corporate Services Manager).
"There's been an attempt - I say that an 'attempt' - to put ourselves into a leading market position, as against a straight out electricity*

department blindly going along making electricity for Dunedin. So we've basically done - everything that we've done has been to that strategic plan; to put ourselves into a market leading position that's been or driving force and motivation" (Operations Manager).

The first priority to achieve this strategic goal was to develop a financial and information infrastructure that would supply the organization with the data necessary for effective and efficient decision making in a competitive environment.

"The initial task of course involved getting the systems in place so we could run the company properly - getting the skill sets into the company and getting rid of the ones that were no longer necessary. The GM's philosophy was if its been run that way for the last ten years it must need some changes" (Corporate Services Manager). "If you've got your accounting systems operating appropriately with full allocation of overheads then you can decisions on an economic basis, as well as on a risk basis" (Chairman).

They invested considerable resources in the development of a standardized and computerized financial and asset management system that could collect, analyse and distribute fundamental business information in a standardized form.

"Management information, financial information and non-financial indicators (were developed) making sure that the information is getting to people. At the management team level we don't want to get a different set of format for his reports than what we get from other profit centres. They all come to us from the accounting section in similar format" (CEO).

As information regarding the financial position of each profit centre became more accessible, the manager of each could begin to accurately determine an appropriate cost structure for internal charging.

"Its been a piecemeal thing as the better information we were getting. Once we broke it into profit centres, and once we introduced this internal charging regime we could better see the real costs of things were, and we could see what we were getting for doing that particular work" (Corporate Services Manager).

The development of a commercial relationship between departments was a significant change from the past. With a focus on cost reduction, the new accounting regime forced departments to push for more competitive rates and created pressure internally to reduce overheads. The GM manipulated this new aggressive relationship to promote maximum cost reduction.

"They (profit centres) charge each other for services provided as a mechanism to make sure we get the lowest total cost solution. And that caused a lot of tensions. We tried to manage those at the creative level, although the destructive tension level - that requires meetings at times to iron problems out. But that's how we run it" (CEO).

However unlike the past where the GM personally controlled all aspects of the MED's operation, each member of the management team was solely responsible for overseeing the change process in their area as they saw fit.

The GM stated his philosophy to his management team as:

"You're (MED managers) here for your functional responsibilities, that's all. I want you to you come and tell me what your unit is doing that you think disadvantages the company, and we'll discuss that. We might agree, we might disagree. But the primary business function focus is your own business" (CEO).

Concurrent with the development of financial reporting protocols was the documentation and standardisation of operating procedures.

"We had to put a lot of effort into having standards, making sure that standards were written down. They were there, but they might have been in the form of twenty memos over fifty years so we did a lot of documentation" (Network Manager).

This process was seen as fundamental to the change process, as it removed the barriers to information sharing and enabled each manager to identify strengths and weaknesses and also areas where cost savings could be made or competition introduced.

"We did a lot of documentation in terms of standards so we could externally tender out. We also had to get up to date. If you're going to be tendering out work...then they (standards and records) need to be right up to date before you tender the work out. So in the first few years quite a bit of effort went in to - had to go in to - getting the records up to date. Then they could be used as a basis for tendering out work as well" (Network Manager).

By early 1990 the central government began to move towards the development of a contestable electricity market, the GM saw the opportunity to radically redesign the MED through the separation of electricity marketing/retail and generation functions. The GM believed that *"the Government may just seize all electricity assets to restructure them"* (CEO) and argued that it was imperative to separate network and retail functions to introduce transparency, remove

monopolistic cross-subsidisation and reduce the likelihood of such intervention. With the DCC intent on retaining the network operation, all electricity marketing and retailing functions of the MED – regarded as ‘non-core’ by the GM and board – were fully separated to create United Electricity.

“I was a pioneer in line and energy separation. It didn’t happen overnight it evolved. We started it back here - we came in and formed United Electricity. That separation occurred in 1990 – it had been recommended by Arthur Young and we just fine tuned it, improved it. We thought the functions were separated it looked like the right answer. And we thought that the Government was going to drive for and would happen” (CEO).

Now operationally independent from the MED and under the guidance of a new CEO, United Electricity sought out joint venture partners to achieve economy of scale benefits for electricity retail functions. In a similar vein changes were also made to the relationship with the electricity generation arm of the MED, which was separated and corporatised as Waipori Power Generation.

“We saw generation and transmission separated at ECNZ at least corporately, even though they didn’t break the SOE up until 1994. So we started down that same track. We sold Waipori assets, the council actually formed another company and sold the Waipori generation assets. The council thought ‘We don’t want them seizing our generation assets, so we’ll form a company, we’ll sell the assets then and we’ll leverage at fifty percent with finance from a bank and make it very difficult to unravel” (CEO).

The extensive structural changes to the electricity department with the separation of electricity retail and generation functions created a wave of uncertainty among individuals at all levels in the organization. The jolt that this created within the MED was utilised by the GM as a culture shock to wake the wider organization up to the urgency for change.

“I co-operated completely with it (structural separation). When we sold the assets the staff were shell shocked - they couldn’t believe that their assets had been taken away from them. It was one of the reasons I co-operated because I needed a culture shock to wake them up” (CEO).

At the same time as generation and marketing/retail aspects of the organization were split, the remaining organizational areas also faced significant change. Following the organization wide introduction of commercial accountabilities and

senior management's insistence on focusing only on core operational areas, many departments considered non-core were reduced and/or removed.

"We cut off a lot of limbs" (Operations Manager). "We had a big focus on freeing up funds. So whereas before we had a stores side that spread across four acres and five and a half million dollars worth of stocks and twelve people working there, we identified the need to get out of the buildings. So we sold off all the buildings, got rid of most of the people and reduced the size" (Corporate Services Manager).

Many operations traditionally performed 'in-house' were no longer regarded as economic given the ready availability of and access to similar services outside the organization. The Assistant CEO summed up this philosophy in his dealings with the MED's own fleet service garage.

"(I said) what you've got to do is you've got to get to the stage where you are completely self-supporting, that is not our core business. If you want to stay there and stay open what you've got to do is show that commercially you can survive. So we cut them off – they still reported to me – and said 'Righto go for it, do whatever you like it's your business you run it'" (Assistant CEO/ Contracting Manager).

This process was replicated throughout the organization. The result was that before the end of 1990, most activities not directly associated with the delivery of electricity such as appliance retailing were no longer performed by the MED.

"We eventually got to the stage where things shrunk and shrunk and shrunk until we eventually got rid of it - it's not core business, we can get the same thing done anywhere" (Assistant CEO/ Contracting Manager).

By the end of 1990 the organization looked significantly different from the past. With generation, retail and ancillary services removed the functions that remained centred on electricity contracting and network management.

5.5.5 Cultural Change

Although the GM recognized the need for cultural change during a time of strategic and structural turmoil, there was little investment made towards the development of a new organizational culture. Rather the GM relied on individuals to meet the challenges presented by the new cost focused operating environment.

"I don't think I introduced the skills, the people either had it or developed it themselves I guess. I created the environment" (CEO).

At the senior management level little need for a radical cultural change was required. Change at the operational level was more difficult. Initially the GM communicated his expectations and the need for change through newsletters, outlining the issues and potential impact of environmental and organizational change. These newsletters were manipulated to ensure that the message that the GM wanted conveyed was broadcast.

"We started off a newsletter the first day I got here – that was going out weekly and it was totally about change and focus and there were just constant stories. I dictated a lot commuting in the car and I was hunting for success stories out of the media about other companies – even in other sectors – where there were parallels. And we just kept communicating this way, by putting that on paper. No one knew where the stories were coming from except my secretary. We invited questions from staff to feed into the newsletter. We got bugger all so we invented them, and nobody ever knew. I'd write 'Last week this question was asked' and we'd put in the answer because it was a question and answer I wanted communicated. There was in fact bugger all questions come off the staff, which in itself must be positive feedback. Either the staff were ignoring these newsletters - and I don't believe that - or they had no questions, they were getting answers" (CEO).

The traditional top-down communication methodology was employed throughout the change process. Early on in the process the GM developed 'team-briefings', monthly meetings where senior management could discuss strategic issues. In turn, senior managers took relevant information and replicated the briefing process with their respective staff. Senior management monitored the response of individuals during these meetings to assess and identify those most able to accept and cope with change successfully.

"It (communication) happened from the top down, because (the GM) introduced monthly team briefings and mini board meetings. So all of those things added together collectively to get the message across to the managers. I did the same I had regular meetings with the staff. I told them what my visions were early in the piece; I prided myself in being honest, that if I thought it was going to affect their future I'd tell them - good or bad. And I just kept on banging and banging away, and doing those sort of things; communicating, meetings, one to one. It didn't take very long to pick out who was going to come along for the ride and who wasn't" (Operations Manager).

Cultural change was also promoted through the devolution of decision-making. With increased investment in the development of an information and support infrastructure senior managers were able to *"introduce accountability to people at the lower level"* (Corporate Services Manager).

"We made them responsible for what they were doing, took away the idea they could explain to the next person up the line. They weren't accountable for what they did, they just used to do things because somebody told them to do and they wouldn't make a decision themselves. We focused on the outputs and what they were trying to achieve" (Corporate Services Manager). *"Allow them to think for themselves and be prepared to get it wrong - for them to get it wrong a couple of times. But as long as they only do it once, or make the same... my attitude to my people is make a mistake, but only do it once that's all; if you do it twice, come and tell me about it I want to talk to you about it. But do it once - I don't want to know. (That approach) really just evolved"* (Operations Manager).

With senior management support, the delegation process was a *"slow process of helping and motivating and drawing people along, (creating) milestones along the way, benchmarks along the way; give them a little bit of initiative see what they do with it"* (Operations Manager).

Change was also instigated early in the change process through contractual renegotiation and job evaluation. Where previously *"all of my (MED) staff were all under the same employment contracts as council"* (CEO) the GM sought to develop an organization different from the council by negotiating a direct employment relationship that did not involve the council. The first step in the process was job evaluation. The Hayes evaluation system was employed to assess individuals based on their job and personal fit with the needs of the MED using three basic competencies – knowledge, problem solving skills and accountability.

"So we just started a job evaluation. That was interesting. The outcome of that was to see a significant increase in the evaluation and remuneration of marketing and financial positions at the expense of engineering and technical positions. That did not go down well. That occurred at about the December to - almost stretched through to June 1990 - took a long time" (CEO).

The restructuring of generation, marketing/retail and non-ancillary services in 1990 fundamentally changed the shape of the MED; the redundancies that resulted from the strategic and structural realignment played a fundamental role

in the cultural shift experienced by the organization. The GM indirectly drove the redundancy process in the MED through the expectations placed on senior management to meet strict financial/operational objectives.

"A lot of redundancies have been driven from further down. I give all the managers the signals and wait for them to come in and say 'I've got to put some people off.' And its worked very well. The only ones I've had to directly instruct if you like are direct reports to me, because that's my job. And we've got down from where we were to where we are by that process. The managers realise it themselves that they had to make change" (CEO).

As functions traditionally provided by the MED were removed, the strongly embedded 'job-for-life' culture was fundamentally challenged. However although the redundancy process came as a shock to the wider organization, it offered many the opportunity to leave the organization with dignity.

"Some of them took it as an opportunity to get out of the job they didn't want to stay in. One of the problems we faced with a lot of staff particularly with the line mechanics. What does a lineman do when he gets to fifty fifty-five years of age he can't continue to climb poles in the snow and the wind and the rain. Some people saw it as an easy way out. They get concerned about their future they knew we can no longer carry people - in days gone by every linemen that got a bit old they gave them a job in the store and you can't perpetuate that sort of thing. A lot of them that were getting old saw this as an opportunity to get out saving face. Privately they'd say 'If you're going to make people redundant consider me', publicly they'd say 'Those bloody miserable bastards kicking somebody out that's spent his life here given his heart and soul to the company and they go and do that to you'" (Assistant CEO/Contracting Manager).

Nevertheless for the majority there was growing unease and resistance to change after the first round of redundancies in 1990: morale within the MED fell and uncertainty at the senior management grew.

"I remember a meeting we had on restructuring issues. All the staff were pulled in and I wouldn't say either of us were going to be lynched, but there wasn't much sympathy from the floor. That was just anger from people who had never worked anywhere else. They couldn't understand the need for change" (CEO).

In response to these concerns the GM offered senior management a compromise solution that would allow the maintenance of non-core services and reduce the impact of job losses.

"I went to John and said 'Listen we've got a bit of a problem with company morale they're wondering when the next restructuring is going to happen and how many job losses there are going to be'. John put it to the management team and said 'OK from here on we've got two ways we can go. We can continue the way we are going then make gradual changes as we see circumstances change that will obviously mean job losses as the less profitable businesses go, or else I can make a guarantee to the staff that there will be no more redundancies. What we'll do is we'll have to manage that via wage control – which way will you vote?' Every bugger – every single one of them – voted to continue the way we were going. And John said 'Now hang on I told you I will guarantee no more redundancies do you want me to do that' and they said 'No'. They could see is that what he'd done had been sensible and had to be done" (Assistant CEO/ Contracting Manager).

However senior management recognised and agreed that such a move would be detrimental to the organization long term. Stalling the process would offer only short-term relief and negatively impact on the process and speed of change: *"We all agreed that no we had too much dead wood to clean out yet, that was an unacceptable strategy" (CEO).* Consequently the redundancy process continued unabated.

"Individual managers were aware of the fact that they had budgets, they had to achieve results, and those budgets had to achieve a return on the money that was invested in them and had to take the action necessary to get that return" (Corporate Services Manager).

Two redundancy rounds were completed prior to the end of 1990, which, for the sake of consistency, were overseen by the contracting manager.

"We made a philosophy that it would all be done through one person for the reason of even handedness for consistency so we couldn't be seen to be playing favourites with people. That happened to be me because most of them (redundancies) were in my section. Once you start to do it you start to see all the pitfalls and you don't want anybody to drop the company in it so we handle all the redundancies through the one section through the one area" (Assistant CEO/Contracting Manager).

Justified on commercial/financial grounds and based partly on the outcome of the Hayes job evaluation the contracting manager implemented the redundancies recommended by each senior manager, a process that reduced the workforce by over half. These actions were in retrospect identified as imperative to the development of an aggressive competitive culture, alerting the

organization to the drastic need for not only structural and strategic, but also cultural change.

"I made over a hundred people redundant. The philosophy right from the start of the company restructuring was let's be as kind as we can, make things obvious that it's going to happen. Its (redundancies) sort of going to create a sort of an attitude around the place that we're going to get leaner and meaner – we are in a competitive business and there will be some job losses" (Assistant CEO/Contracting Manager).

The size of the MED was seen as advantageous to management during the implementation of redundancies.

"It's (the redundancy process) easier to do in a bigger organization than a smaller organization. When you're making redundancies in a group of twenty it's much more noticeable than if you're doing redundancies in a group of a hundred it was easier to manage. Not only that if you go too far with your restructuring and you get rid of more people than you wanted to you've got other resources to call on" (Assistant CEO/Contracting Manager).

The redundancy process provided each senior manager the opportunity to selectively remove those perceived to be most resistant or unlikely to change, 'getting rid of the deadwood' was the phrase common to all senior managers.

"The sort of attitude change we managed to get (was) by getting the people out. Unless you get the people with the right attitude restructuring won't work. (That attitude is achieved) by getting rid of the people that don't have it. It's cold and it's cruel and it's hard and the hard part for the people that are left to grasp is the deadwood get all the money, get all the handouts. They get kicked out, but they get out with a pot of gold in their hands. And the people that are there left behind have got three times as much work to do and you don't pay them any more. That's the hard message to get across to people. (But) they've got to have the right attitude to start with. I don't think you can change attitudes - either people have got that attitude or they haven't. Now unfortunately we've still got some people here who don't. But in the right positions we've now got people there who have the right attitude" (Assistant CEO/Contracting Manager).

5.5.6 Corporatisation

By the end of 1990 the Dunedin MED had implemented a series of changes that fundamentally redefined the organization's strategic, structural and cultural configuration. Although significant progress had been made towards transforming the MED into a competitive and efficient commercial organization

the DCC remained concerned at the potential for central government to force divestment. The DCC therefore took the initiative and using ECNZ as a model applied the SOE model of corporate separation to its relationship with the MED.

"Dunedin was ahead of the field, because the council from '89 to '92, that council had already put in place separate companies for Dunedin Electricity and Waipori and Otago Citigas, which was all part of the old electricity MED. So they had already made that separation before they (legislation) came through, and had boards of directors in place. And part of the '92 reform legislation really ratified what we had done, rather than have to go through the establishment plan process again that others had to. So it was driven by a desire to operate these businesses in a more commercial manner, purely and simply that" (Chairman).

The first corporatised electricity company in New Zealand, Dunedin Electricity Limited (DEL) was created. Strategic oversight of the organization was transferred from a committee of the DCC to a holding company Dunedin City Holdings Limited (DCHL). The membership of DCHL comprised of commercially experienced directors appointed by the DCC, and was charged with seeing that DEL operated in a fully commercial manner based on an agreed series of operating goals.

"They (the council) established Dunedin City Holdings Limited, which was a further corporate structure between the council and Dunedin Electricity. Once Dunedin City Holdings approves the statement of corporate intent then it's just basically down to the directors and management to achieve the objectives as set out in the statement of corporate intent" (Network Manager).

This fundamentally changed the relationship between the management of the former MED and its owners. The GM was no longer directly answerable to a committee of the council, but instead faced a board of directors now as CEO of DEL.

However by mid 1993 it was becoming apparent that the competitive model used by DEL was not the model that was emerging in the electricity industry. Legislation had forced corporatisation rather than competition on the sector and electricity company owners moved to maintain control of their respective organizations having begun to realize higher returns from their assets.

"The legislation didn't force a competitive position, the legislation forced the corporatisation of the activity which then made the owner, who in our case was the local authority, appreciate that it

should be getting an appropriate rate of return from its investment which it had never ever got before" (Chairman).

Consequently most electricity companies protected their former franchise areas from the intrusion of competitors and opposed the consideration of joint ventures or competition for fear of loss of income or control. By 1993 the strategic and structural configuration that emerged in the industry was one that offered a vertically integrated regional electricity service that in turn protected the traditional monopoly franchise areas. With neither legislative requirement nor economic pressure to embrace a competitive approach, DEL's contemporaries had entrenched themselves in defence of the status quo.

"The problem with our neighbours is they're protecting their own patch. They're not subject to competitive pressures that are forcing them to look at long term cost solutions for their own business. We're tendering out to Southpower but no one else is (tendering out) around here. OK it's easier for the urban guys because there's more competition, but not a lot more. But we were tendering out in the hope that it would taunt our neighbours into having to do the same. And they haven't - they just sit there and lie about it" (CEO). "They're (other electricity companies) all internally focused and they're going to hold onto their patch come hell or high water" (Assistant CEO/Contracting Manager). "Power companies around us still give their internal contracting group all the work. They only get work done by others if they've got a bit of a peak, or there's some specific project work which they may or may not have the skill for which they'll utilise our contracting group or one of the other nationally based (companies)" (Network Manager).

In particular the owners of DEL were seen to be a handicap to the expansion of the organization.

"We're not winning much business with our owners, but that's because they're (other electricity companies) not making it available. Of all the small companies around us, they won't touch us because they see us making huge profits for our shareholder, and they have this perception that if they get together with us our shareholder will make great profits at their expense. They just don't think commercially enough - that's because they're not in a commercial environment, they're in a trust environment. There's a whole lot of bogies there" (CEO).

In reaction to the defensive stance maintained by electricity companies and the subsequent lack of change in the operating environment, the CEO of DEL was forced to reconsider the strategic and structural configuration of the organization.

"In '93 I went up to council and said 'We got it wrong. The world's changed, we've got to change. We've now got to bring the generation and distribution sectors back together in focus'" (CEO).

Pursuing the vertically integrated strategic approach that had emerged in the industry following the Energy Companies Act (1992) appeared to be the only option available to DEL to achieve growth. With no legislative developments to force change on the electricity industry and little impetus from within the industry itself DEL's CEO felt compelled to follow the industry norms and worked on an integrated future for the organization.

"1994 to '97 we've been focusing on an integrated future, because that's where the world was going. I'm still convinced it was wrong, it was just heading down the area health board track. But you've got to stay with your competitors or you get left behind. It took about a year to get everyone to agree, and there were a few playing some dirty pool. But in the end I appointed the same set of directors to both (network and generation) companies, and in the process I became the chief executive of the generation company again. That brought the strategies back together, because we thought the world was going down that integrated regional company mode" (CEO).

However full implementation of this integrated strategic approach was not possible. The restructuring DEL had undertaken in anticipation of the development of a competitive market place had separated the functions of the business to such an extent that it was possible only to regain control of the generation business. This did not radically affect the structure of the organization, with generation included as another stand-alone division. Pressure to follow the industry was not limited to external institutional sources, but also emanated from DEL's owner the DCC. Although the council was not theoretically able to determine DEL's strategic direction following the development of DCHL, ineffectiveness at the board level enabled the council to directly influence the decision making process. The subsequent political interference reduced strategic and structural options available to the organization.

"Its been much harder to have the change process effected because of the political interference. That's one of the areas we've had to put up with. It would have been nice to have some shareholders who had a different philosophy. I think it (the council) is trying to ensure that business is retained in the city. They have all these esoteric type views coming to the fore and motives, although they're way off beam. One of our problems here is that

the mayor. One of her platforms was keeping electricity prices down and she had a deliberate ploy to interfere. We thought we had the structure pretty right with the holding company in place as an intermediary between council and the commercial wing, but the holding company has not played its role effectively. Its basically passed all major decisions back to council without recommendations, and that's a recipe for disaster. So the holding company hasn't been strong" (Chairman).

For instance the CEO's desire to seek the purchase of other lines companies or pursue a joint venture partnership to facilitate growth in the business was refused outright for council fear of the political ramifications that loss of control and ownership of the network asset could have.

"Our council is not willing to sell the line assets and nor are they going to be willing to buy another set somewhere else – it doesn't make sense to them" (CEO).

Furthermore maintaining ownership and strategic control of the electricity company provided councillors the ability to maintain voter/consumer support.

"In the DCC there is that social element that always comes in that you've got to look after the poor people. And whoever these poor people are they have to be looked after all the time there, or we can't put up the price of power, or we've got to keep the price of power down to attract more business. And so they use the electricity company as a tool in their wider philosophy" (Chairman).

With opportunities for growth restricted in both contacting and network spheres the period from 1993 to 1996 became one of consolidation in DEL. During this time of stability investment was put into developing the infrastructure and quality standards through the implementation of an ISO programme and investment in computer technology to assist in daily operational matters.

5.6 Reactive Change in DEL

As a result of the lack of environmental change, the process of cultural change between 1993 and 1998 was slowed. Although there had been a significant culture change at the senior management level of DEL, at the lower levels the competitive/customer-focused strategy had yet to be embraced. Resentment within DEL at the operational level caused some problems as the radical strategic and structural changes forced upon the organization were questioned when compared to the protectionist strategies implemented by other electricity companies.

"One of the biggest problems we face in getting attitudes to accept what we're doing is (that) we are the only people that have done it (change). All of our neighbours have pulled up the drawbridge and they're sitting behind their castle walls watching the world go by and that's the hardest thing to get across to our staff. The CEO said 'We will make all of our work done by contracting contestable so that anybody can bid for work and get it. You've got to go outside into the cold world out there and make it up with work outside. But our neighbours don't let us win the work they tender for our work but we can't for theirs because they don't put it out and that's the one of the biggest barriers we face in changing staff attitude. They ask why should we be at the bleeding edge? Here we are bearing ourselves for people to come and take our work and our neighbours in other companies aren't giving us the opportunity to do likewise and that's a mental barrier a mental block that's been built up between some of our staff and management'" (Assistant CEO/Contracting Manager). "I keep telling my people the pain they go through is like the Olympics. The event the adrenaline is so high you don't even know what's happening - you've suffered the pain in the years beforehand. And that's what it is for my guys at the moment. The tendering out process and losing work is causing us to streamline our processes, and sorting out our staff and they think its unfair because they look at the neighbours and say 'Yeah you've been saying that for eight years, it's wearing a little thin'" (CEO).

However DEL continued to downsize, removing many of the more opposed to change through attrition.

"Where there were 330 staff when I arrived there are 120 now. And of that 120, a third of them didn't work here - the other two thirds did, but 40 of that 120 we've hired since. So what have we got, 80 out of 330 is all that's left out of that period. We still have some residual cultural problems with that 80. I've got some high skilled people that gravitate to the top. The dunderheads we get rid of" (CEO).

For those that remained, there was no specific cultural change programme introduced. Rather barriers to change were broken through the implementation of an ISO programme that reduced the reliance on intrinsic and personalised knowledge. This process was further assisted by the introduction of new employees with skills and abilities (primarily financial) sought after by DEL and the development of clear performance standards. Each of these change initiatives was backed up with weekly team meetings within and between operational areas to promote the development of a stronger performance focused culture. However in general the cultural change process in the period after 1993 was primarily regarded as 'fine-tuning'.

"Its (change) only been fine tuning in the last few years, the real coarse changes happened in the first two or three years. And that's when the change in philosophy was rammed home, you know - we're here to add value you guys are responsible for what you do, it is a waste of time just saying the guy up there told me to do it that doesn't work any more. So really there was significant change in the first two or three years, and then its really been a bit of fine tuning since. A bit of tinkering here, a bit of tinkering there" (Corporate Services Manager).

5.6.1 DEL's New Vision: An Asset Management Company

By the middle of 1997 the likelihood of further legislation forcing change on the electricity sector was growing. Having indicated its dissatisfaction with the vertically integrated development of the electricity industry in 1996, the government foreshadowed the introduction of legislation that would force full ownership separation of electricity network and retail energy businesses. However it was until the introduction of the Electricity Industry Reform Act (1998) that the industry was called to implement this radical new structure. This structural configuration was neither new to DEL nor seen as likely to result in radical changes for the industry.

"What the Government's proposing doesn't put any competitive pressures on that. It's going to leave these forty power trusts just running the lines assets, and that's how they like it - no pressure close to retirement. We were there in 1993 - in fact in the fact in the sense that that was when United was formed. We were actually there in 1990 internally. So when I read that Trustpower says "Oh yeah, we've done it internally", I think "Oh yeah, you might have done it in 97 but we've done it in 90." But that's life. So right now in fact our focus has moved on" (CEO). "The Government announcement of a month ago said that that's (separation) going to happen. We've been going through this agony for five years before the government made the decision but we are already there. We've done all the hard work" (Assistant CEO/Contracting Manager).

However as the operating environment would be forced to change DEL's CEO saw this as an opportunity to pursue the development of a new, more radical strategic and structural approach for DEL.

"Separation of line and energy is not the end of the exercise. There's another phase to be done, and we're going to move on to that next phase" (CEO).

The next phase was to develop the only aspect of the business that the CEO identified presented the opportunity for significant growth in the industry – asset

management. With council owners insisting that DEL develop a greater return on assets but also restricting the divestment of its own or purchase of other networks, the CEO sought to develop the organization's management competencies to achieve growth through the management of other companies.

"So if they're (the council) not willing to sell, they're not willing to buy, I can't grow the business unless I get the hell out of it and take something out of the management function - which I now think offers the opportunity" (CEO).

The CEO no longer considered DEL's strengths, competitive advantage and future growth potential to be in the electricity industry but rather, given the management and infrastructural competencies developed and available in the organization, in asset management.

"I'm in the asset management business. I can't offer the cost savings unless I can take the manager away. So that's why we've got to separate asset ownership from asset management - either that or privatisation of the assets. One of those two have got to happen, and I think the privatisation route is a) hard and b) not necessarily the best answer. The real synergies to have are not in the asset, the synergies are in better management - and that's people synergies. You can get that by contracting that out to an asset manager. You've got to break the moulds, head off in another direction. So that's what we're about" (CEO).

The CEO had taken his cue for this approach from similar models employed in other deregulated industries.

"There's a number of examples in other sectors. The model that I focus on is the hotel sector. Hotels these days are a huge chunk of steel and concrete owned by superannuation insurance companies. These are long-term investments for other investors for future security. They are managed by international hotel management companies" (CEO).

5.6.2 Attributes of DEL's Change Process

The owners of DEL (the DCC) initiated change in anticipation of environmental/legislative change to protect the income stream associated with the electricity company. Consequently the MED was developed as a separate corporate entity with senior management free to implement radical transformational change to meet the anticipated demands of a competitive environment. Consultants were fundamental to DEL's strategic and structural change process. Consultants systematically and independently assessed the

MED's strategy, structure and culture and provided the DCC with an organizational model and plan for the implementation of change that legitimised the corporate management philosophy. The new GM/CEO, appointed as a change agent by the DCC, lead the MED's transformation from being a 'government department' to a 'corporate entity'. With the mandate to implement change the GM/CEO first utilised the consultant's plans and later his own ideas to meet the developing norms of the operating environment. Although his style remained directive, it was more consultative than the traditional autocratic method of his predecessors and relied on the skills and abilities of senior management to identify problems and implement change. The trust that the GM/CEO had in the ability of his senior management stemmed from his ability to control appointments.

DEL's urban location also significantly influenced the change process. Based in a city, senior management had ready access to resources that enabled them to introduce changes beyond the scope of rurally located EPBs. DEL was also exposed to more competition than EPBs, which stimulated the implementation of more radical, transformational changes than those witnessed in EPBs. In addition, the theoretical distance between the community and organization associated with the council ownership structure enhanced the ability of senior management to implement transformational change with less concern for community welfare than in EPBs. Associated with DEL's urban location was the organization's size. DEL's size enabled access to financial and managerial resources that senior management could devote specifically to the change effort. Where expertise was not available internally, DEL had the financial ability to employ consultants to assist senior management. Furthermore the size of DEL allowed the organization to sustain a divisional structure, which provided the basis upon which transformational change was launched.

The process of organizational change in DEL was a top-down, CEO driven process initiated by its owners and assisted by consultants in anticipation of environmental upheaval. The GM/CEO and senior management reconfigured the MED's strategy and structure in a top down directive manner that was neither consultative nor participative. This change process involved the

complete transformation of the strategy, structure and culture of the MED, resulting in the creation of a corporate entity far removed from the traditional electricity archetype.

5.8 Southpower Limited (SPL)

5.9 Overview

Southpower Limited (SPL) supplies electricity to over 150,000 primarily urban customers in the city of Christchurch and immediate Central Canterbury and Banks Peninsula areas of New Zealand's South Island. Formed in 1920, the Christchurch City MED (CCMED) can trace its lineage to 1903 when electricity first reached Christchurch. Under the control of the Christchurch City Council (CCC), the MED developed and maintained Christchurch's electricity network for sixty-seven years. In 1987 changes forcing the commercialisation of government owned generation and transmission businesses convinced the CCC that changes to the distribution sector were imminent. In anticipation of change, the CCC and MED began to investigate how control and ownership of the MED could best be maintained. In 1988 this quest resulted in the formation of a joint venture with three different councils – the Christchurch City Council (87.6%) the Selwyn District Council (10.7%) and the Banks Peninsula District Council (1.6%) – to create Southpower Limited (SPL). SPL is New Zealand's third largest company of its type with 390 staff providing electricity retail, network design maintenance and construction services to an area of over 8,018 square kilometres. Southpower's listed subsidiary Enerco New Zealand, in which SPL has a 69% holding, supplies gas to over 100,000 North Island customers. The case of organizational change in Southpower Limited involves both anticipatory and reactive approach to change. Having implemented radical and discontinuous strategic, structural and cultural changes in anticipation of the development of a new operating environment, SPL later shifted to follow a more reactive change strategy.

5.10 The Electricity Archetype in CCMED

5.10.1 Organization Strategy

A protected monopoly owned by the CCC, the CCMED's strategy, structure and culture fit the profile of the traditional electricity company archetype. Similar to EPBs, the CCMED held a statutory monopoly over the supply of electricity in a stable environment.

"We were a monopoly business in a franchised area. There was no way anybody else could provide energy in our patch. It was

captured customers" (MD). "We came from an environment where we didn't really have any risk" (GM, Trading).

Protected from competition the CCMED had a narrow strategic focus intent on the development of the electricity infrastructure and the promotion of electricity use.

"If you look at the old MEDs and power boards where they first started off, they wanted to build load, they wanted to promote the use of electricity, to get cash flow to actually fund the business because they were very capital intensive in the very early days. They had to build all sorts of brand new lines and so on to get out to the customers, and they needed the cash flow. The old (legislative) structures just did not legally permit you to get into any more than a very narrow focus" (GM, Network Services).

5.10.2 Organization Structure

The CCMED also shared structural characteristics typical of the industry archetype. The CCMED was divided into two (engineering and financial) functional areas, overstaffed, hierarchical and bureaucratic.

"Historically the business was functional technical, based on trade groups. Clear line management was evident, with excess numbers within the business" (CEO, Connetics). "The MED in 1988 was I say a just in case organization – (a) heavy focus on engineering, had its own clerks in abundance (it was) very difficult to get them (staff) using common resources common to the whole corporation. (There were) a lot of in house services. They had their own gardeners, their own tradesmen – carpenters, painters, etcetera – I'm not talking about specific to industry tradesmen, I'm talking about general building tradesmen and the like. They had very large staff – they had gosh a whole floor full of draughtsmen" (Chairman).

At the infrastructural level the CCMED also shared with other electricity companies a lack of quality systems and procedures, particularly financial – *"it was very much a local Government department, with very poor information systems" (MD).*

5.10.3 Organization Culture

The CCMED not only appeared similar to other electricity companies in its strategic, structural and infrastructural configuration, but there was also a cultural likeness.

"These old power boards and MEDs had been very engineer oriented and there was a pretty take it or leave it attitude towards captive customers, and there was overcapitalization over-

engineering. They had enormous yards, warehouses full of cable that would never be used and substations that were obsolete because we had bought too many just in case" (Chairman). "It was a purely engineering focused organization trying to achieve very narrow outcomes - just keep the power, the lights on regardless of the cost. Engineers decisions were never challenged by anybody else, all customers were treated the same. Performance measures - there were no performance measures around the organization, yeah the list goes on and on" (GM, Trading). "The staff of the organization basically operated on the basis that the customer took what they gave them and should be grateful for it" (MD).

The dominance of the engineering discipline in the CCMED created a distinct cultural split in the organization, between those in engineering/operational and administrative/support functions. This division was typical of the industry and led to antagonistic rivalry between the two.

"It was totally driven by engineering excellence - operational day to day imperatives where the accountants didn't talk to the engineers and any reporting was pretty basic" (MD).

Typical also was the bureaucratic, hierarchical job for life mentality embedded within the CCMED. As an organization protected from competitive forces, the CCMED offered individuals a stable and reliable career path that brought with it traditions, hierarchy and a centralized control mentality.

"People were promoted as of right over time to managerial positions. It was no different to the council worker on the end of a shovel. There was a sense of a job for life mentality, with no clear responsibilities - people showed up to do the same thing day after day" (CEO, Connetics). "The MED was a very stuffy traditional organization, very, very traditional. It was only during the early eighties when the people were apparently still calling each other Mr. and Mrs., like Mr. Sugdon and Mrs. Bishop from Coronation Street. That's apparently what the culture was like. And there are people, my payroll manager for instance still called one or two of the staff members when I arrived in 1989 Mr. White, still called him that". "There were a lot of empires, you can imagine the bureaucracy" (GM, Corporate Services). "The culture of the place there was almost no delegated authority. The general manager in those days signed every single letter that left the place - there was no delegated authority" (MD).

This stability also raised among CCMED staff a strong sense of personal identification with the organization, reinforced by the kinship of the engineering fraternity and the esteem and political strength that was associated with

providing electricity to the community. This served to develop and strengthen a separatist identity within the CCMED.

"I found the word we and us never got used much, the word I and mine were used a great deal...the most insular (council department) of them all was the MED. The words Christchurch City Council didn't appear anywhere inside this building, not on the letterhead, not on the front of the building, not on the invoices. And of course they had their own electricity suppliers association, and they were mighty people within it, and they had been allowed to grow apart (from the council) and they were they were the largest department in terms of staff size the staff numbers" (Chairman).

This insular culture was reinforced by the lack of compulsion to meet the demands of financial accountability.

"They (the MED) were a tremendous financial resource (but) there was no suggestion of managing money in a treasury sense so we (the council) actually could monitor them on a day to day (basis). The MED had their own separate ones (accounts). It was cost plus" (Chairman). "We've come from an environment where we had an entire monopoly...and where we've never really had any real accountability, we'd just report it (operational performance) to the council we weren't actually required to make a profit " (GM, Trading)

However one important factor was that the CCMED was owned, controlled and integrated with the operations of the local city council, in this case the Christchurch City Council (CCC).

"MEDs were functional departments of territorial local authorities...in the ownership of the city councils. They were just another department in the way that the parks department or the street works department or the water works department are" (Chairman). "We were really just, you know, infrastructure managers for the city council - like the water works group" (GM, Trading).

This had several direct implications for the strategic development and operation of the CCMED. With a stable operating environment, the level of strategic planning was limited to electricity pricing and network development. At this level, the CCMED was obliged to meet the demands of the CCC.

"We were actually a committee of the Christchurch City Council and if a city councilor got annoyed about something, he'd ring us up and we changed it" (GM, Trading).

Pressure to adjust pricing and operational strategies was not directly in response to consumer demands through a trust body as was the case in EPBs,

but rather was the result of council members seeking to secure their political standing.

"Politics played a major part because it was part of the City Council" (Board Member). "In the old days the owner was telling you to charge your business customers more, charge your residential customers less, we want to be re-elected" (GM, Trading).

The setting of *"retail electricity prices was a decision as politically sensitive as setting the rates each year"* (Chairman). The implication of such political interference *"was tremendous cross subsidy of commercial power charges were heavily subsidising residential because it was a there were a lot of voters out there"* (Chairman).

"When I first arrived there were massive pricing cross-subsidies between residential customers and commercial customers. Commercial customers were paying twice what residential customers were paying. There was no reason for it, except that retail prices were set politically. The MED as it was back then had the worst retail pricing cross subsidy in the country" (GM, Corporate Services) "We had one of the worst cross subsidies between the commercial sector and the residential sector of any of the companies in the country" (MD).

Council interference also resulted in the CCMED undertaking uneconomic operational activities. Pressure was constantly placed on the CCMED to undertake city 'beautification' activities such as replacing electricity pole with underground cables, the cost of which was borne by the CCMED. This was a shrewd political manoeuvre as such programmes were highly visible symbols of the effectiveness of incumbent council members to implement change in and develop the community.

"Previously we undertook fairly unprofitable activities under council pressures, such as under-grounding you know. We'd spend two or three thousand dollars a kilometre to put overhead wires underground, a complete waste of money. But it looks nice and the council didn't have to pay for it" (GM, Corporate Services).

5.11 Anticipatory Change in the CCMED

5.11.1 Governance Developments

Following sixty-seven years of environmental stability the wave of deregulation sweeping through the New Zealand economy, particularly the government owned electricity generation and transmission sector in 1987, alerted the CCC

to the potential for similar changes to be forced on the country's wider electricity sector.

"There was a big political debate as to what was going to happen to the electricity supply authorities" (Chairman). "People saw legislation was coming that was going to make this business a commercial entity" (GM, Trading).

The fear within the CCC was that the CCMED, an organization of significant monetary and strategic value could be lost. In early 1987, motivated by the perceived threat of expropriation, the CCC established a committee charged with reviewing the CCMED and council's ownership options.

"The council saw it as our duty to see that these that this particular asset of the Christchurch City Council retained in local ownership. There was a very real danger of central expropriation of these assets" (Chairman).

The committee was charged with researching the effects that legislative changes could have on the CCMED, identifying the implications for continued CCC ownership and proposing a course of action that would protect CCC ownership of the assets and business.

"There was quite a political battle to ensure that these valuable assets were not lost to local communities" (Chairman).

In mid 1987 the committee recommended that immediate changes be made to the CCMED's governance structure, operation and relationship with the CCC. Based on the direction and intent of government reform in other sectors, the committee suggested the development of a new form of council operation, the Locally Owned Enterprise (LOE) that mimicked the SOE model.

"We felt that there was benefit in copying that (SOE) act to create what we called an LOE a Locally Owned Enterprise - since then the term LATE has emerged" (Chairman). "The challenge was to set up business models that would avoid the Government need to regulate - produce a lot of rules particularly price control" (GM, Network Services).

Under the LOE model, the council-MED relationship would be formalised, with a greater degree of separation between owner-operator developed to promote transparency and the development of commercial operating imperatives. By implementing such changes the CCC could reduce the likelihood of

government intervention by proving that it was capable of maintaining MED ownership while allowing it to operate as a commercial enterprise.

"We wanted to show a track record of arms length commerciality that would provide a good case study to support the political evocacy that Christchurch was undertaking. In other words we weren't just saying 'sure local bodies can put things at arms length', we had an example. The council was persuaded on the basis that the only way that you are likely to preserve this asset is to put it at arms length and so they agreed" (Chairman).

The first action taken by the CCC was to replace the CCMED's standing committee with a new board of directors – *"there was a transfer from the MED to the MEB" (Chairman)*. Called the Municipal Electricity Board (MEB), the council appointed body was given commercial powers of directorship and charged with overseeing the commercialisation of the CCMED - albeit under the watchful eye of the council.

"They (Christchurch city councilors) agreed to set up the local municipal electricity board which would have directors - some were councilors and some were outsiders for want of a better term and that board would have company director type powers" (Chairman).

Of most significance for the CCC in this move was the surrender of control over the setting of electricity prices to the new board.

"The MEB was set up, and the significant thing was they were going to decide what the power prices would be, the retail electricity prices. It was quite a brave thing politically for the then Christchurch City Council to agree to" (Chairman).

5.11.2 A New Managing Director

The MEB quickly sought to replace the incumbent General Manager with a new Managing Director (MD), skilled in the electricity and change management field. After a short period a new MD was appointed.

"I've been here since late 1987, I was actually general manager here before that. But I left and went to ECNZ where I was involved in the restructuring of ECNZ from the old NZED to ECNZ. I was South Island regional marketing manager for them, where we did marketing as well as construction and maintenance, so that was the change management aspect of that. Then I came back here and I've been here since then" (MD).

The new MD not only met desired competence criteria, but was also aligned with the CCC's desire and vision for the future of the electricity company.

"(The MD) and I as officers of the council saw it as our duty to see that this particular asset of the Christchurch City Council (was) retained in local ownership" (Chairman).

The MD 'hand picked' a new senior management team as he sought to instil a different management approach to that of the MED.

"New blood was brought in, so some new management was brought in. There were a lot of empires that Chris was determined to smash, and being an engineer he knew where the empires were likely to be" (GM, Corporate Services).

Selection criteria rested on proven skills and abilities in a commercial environment and the implementation of change as well as having established an interpersonal relationship with the MD.

"One of the first things I wanted to do was get a team of people around me that I knew I could trust and that I knew would perform in a team manner. I wanted to know that I had a group of people there that could do it (change) in the most economical way and when there were issues come and talk to me. You had the team already you didn't have to go through the team building exercise with the personalities, you had those people there. And I basically hand picked them based on the ones that I'd seen perform over the years. Quite a number of the people who were with me in ECNZ as a key group actually came across with me - sort of four or five key people" (MD).

The skills and composition of the ranks of senior management reflected a transition in thinking and focus within the electricity company. Alongside the engineering staff traditionally considered central to the organization, people with analytical, financial and marketing skills now held key positions in the administration.

"The management team here is a mixture of people who have been in the industry for a long time, and others with newer skills that we had to bring in - mainly analytical skills of one sort or another - people who are good at financial modelling or computer modelling or systems" (GM, Network Services).

Significantly a new position focused on marketing was created – "Southpower established the position of General Manager Marketing and Supply. In the past none of the electricity companies had had a marketing function" (GM, Strategic Business Development). The process of change in the ranks of senior management was eased as two key positions – network and financial management – "came up through retirement" (GM, Network Services),

removing the need to issue redundancies. With a 'hand-picked' team, the MD believed the competencies necessary to implement widespread organizational change were made available.

"I got a good team of people around me who could share where we were going" (MD).

5.11.3 Strategic Change

Meanwhile the neighbouring Central Canterbury Electric Power Board (CCEPB) was also assessing its future. A small organization operating in a rural area, the CCEPB also recognized the potential threat legislative change posed to the maintenance of asset ownership. Aware of CCC actions, the CCEPB approached the council in early 1988 seeking to establish a joint venture electricity company.

"The adjoining Central Canterbury Electric Power Board, seeing which way the wind was blowing and that power boards had no long term future came along to the MEB and said 'Why don't we join in a joint venture?' and that's where the term Southpower got coined" (Chairman).

Arguing economy of scale benefits of the venture for both parties, the CCEPB convinced the CCC and in March 1988 the electricity companies were formally merged and board representation adjusted accordingly.

"The legal status of the board of that body was that it was a joint standing committee of two local authorities, one being the Christchurch City Council and the other being the Central Canterbury Electric Power Board " (Chairman).

Although the CCMED had a new joint venture board and a new MD, the organization had inherited the strategic, structural and cultural qualities typical to electricity companies. The MD's first concern, particularly following the merging of two organizations, was to start afresh with a new name to signal to the organization the need for change. The board and MD settled upon the name Southpower.

"That's where the term Southpower got coined. The word Southpower first came into consideration when the board restructured the two organizations into a single organization - the conjointing of the MED and the Central Canterbury Electric Power Board - into what was called Southpower, a joint venture" (Chairman). "Our managing director took a strategy saying 'Well we're not going to take either culture, we're going to create a new one, we're going to call it Southpower'. The Managing Director

didn't want either culture - he wanted a new one. It was absolutely vital to create another brand that wasn't one nor the other (organization)" (GM, Corporate Services).

Signage, advertising and printed material was also developed to create a new 'corporate' profile and alert the public to changes in their electricity company.

'We knew we had to get to a particular point from a strategic perspective which meant that we then formulated the way forward' (MD). "We were not in copy cat mode. We had the opportunity to move into the lead, the opportunity to move early" (GM, Strategic Business Development).

Over the first month SPL's senior management dedicated itself to the development of *"business models that would avoid the Government's need to regulate"* (GM, Network Services). For the first time in the organization's history the executive team reviewed the organization's core competencies and functions.

"We identified what the purpose of the business was which had never been done, developed strategies around that purpose" (MD).

From this process emerged the formal identification of SPL's core function and associated strengths, weaknesses, opportunities and threats.

"Our core business is our network, running an efficient distribution network. It's where the major asset value is, it's what our customers rely on us for and that is the asset and activity that we need to run as efficiently and effectively as we can. The second aspect of the core business is energy trading and making margin out of that. Everything else should really be a support to those two activities" (GM, Corporate Services).

Despite SPL's core function being seen as little different from the past, the process of self and environmental analysis formed the basis upon which a vision for the future of the industry and organization was developed.

"We formed a view of the future in terms of what the industry was going to look like, the things that we would need to have as an organization in order to take advantage of that environment, and then started to establish it" (MD). "It's about first of all taking a view of what the future looks like and then trying to assess what you need to do to change so you can be part of that environment" (GM, Trading).

Learning from similar deregulatory experiences in other industries, SPL's management anticipated that deregulation would result in the consolidation of

many organizations and the convergence of complementary services to provide a customer orientated, 'total-energy' service.

"In the U.S. you see the total energy approach of gas and electricity coming together, and you see telecommunications coming together - so yeah I mean there are lots of companies doing similar things - the outcomes are still quite uncertain. You're seeing the internationalisation or globalisation of energy, but you're also seeing the convergence of a number of industries. You're seeing convergence of telecommunications, energy, banking - all those things are coming together with some quite significant ramifications for everything right through to credit card companies - and we did our best to make sure that we were appropriately positioned" (MD).

As a result senior management redirected the strategic emphasis of the organization, replacing the traditional electricity network development and maintenance focus with the need for wealth creation through customer service.

*"Shareholder wealth became the key measure of success and customers became central to do this" (GM, Corporate Services).
"The key focus became shareholder wealth - protecting and growing the shareholders investment basically" (MD).*

The development of SPL's strategic direction *"was a behind the scenes process, although we hinted and suggested where we were going. But there's always cynicism, which meant that we had to go and lock ourselves away and get on and do it" (GM, Strategic Business Development).*

With the need for radical strategic change identified, it became evident that the organization was neither structurally nor culturally prepared for the competitive demands of a new operating environment. The old operating archetype needed to change.

"The challenge to the management of the new organization was to turn it into a customer based entity and to look very carefully and to where the capital was being utilised to turn it from a just in case organization to a just in time organization" (Chairman). "Customer service, competitiveness, flexibility, an organization that could change quickly and cost reductions, cost effective (practices) were the key things that he (the MD) was looking for" (GM, Corporate Services).

5.11.4 Structural Change

Southpower's traditional hierarchical structure was identified by senior management as a significant impediment to change *"so a restructuring of the*

organization was done and a new management and organizational structure and business plan was evolved from that" (GM, Corporate Services). The old MED structure supported the established belief system of the bureaucratic culture, which left untouched would undermine the change process. Therefore the MD was intent on "recasting the structures in the organization to change the culture of the organization" (MD).

Decades of non-accountability in a cost-plus environment had created an organization that neither required nor valued information systems and organizational feedback. SPL's MD made it a priority to find, record and make transparent operational and financial knowledge.

"One of the first things to do was to look at the information requirements around the place and get some decent information systems going as well as a billing system that worked in conjunction with that so that at least you could start to manage the business. There was no financial reporting, there was no systems in place in fact to be able to do that" (MD).

Significant investment was made in the computerisation of SPL's accounts and information system so that operationally the organization could begin to take control of its expenditure and income as well as more accurately track its network operation.

"All our drawing map records were on paper, thousands of sheets of paper, all fading away with the ink drying off and flaking off. All those records have been converted to electronic form" (GM, Network Services).

Three separate profit centres were created, network, contracting and electricity retail/sales, each supported by a centralised corporate services division.

"We broke the organization up into functional elements - network, trading, human resources, information services those sorts of things" (MD).

The motivation for organizational separation and decentralisation was to introduce a greater degree of flexibility and management 'focus' to promote the development of a more efficient, effective and competitive operation.

"Our network people have different business practices to our customer services people. So its just been a lot easier in a lot of respects to decentralise a lot of things, to get greater management focus and actually doing justice to those diverse businesses" (GM, Corporate Services). "We structured ourselves in such a way that

things like the network had quite defined roles and goals in respect of what it was trying to do. Because superimposed on this issue to do with competition was the whole issue of greater efficiencies - better returns and profits and all that sort of thing which we'd never heard of in the early days - so we could actually compete in the new environment" (MD).

Decision-making was decentralised, supported by investment in training and support systems.

"The management has decentralised into line management, so day to day supervision and performance development and so on - supervisory responsibilities administration of time records - is the responsibility of various business units. So we have a fairly decentralised approach to that sort of management" (GM, Corporate Services).

Although the definition of divisions formally recognized pre-existing operational areas, divisionalization particularly impacted upon the largest aspect of the business - network contracting. Contracting was operationally and financially separated. Furthermore, with management's focus on cost reduction, the contracting division would no longer maintain a monopoly over maintenance on SPL's network. Instead, as a semi-independent division, contracting would now face competition and have to bid for work in many operational areas in opposition to other contracting businesses.

"Gradually contestability was introduced over that time by taking some work deliberately outside, getting other contractors, you know, to carry out the work. We did that basically to bring in competitive market pressure to bear on getting work done on the network" (GM, Network Services).

Although not fully exposed to competition some saw this restructuring as counter to the organization's traditional and 'proper' raison d'être. After several months, resistance to this change grew and the threat of industrial action was raised - *"we got close to a couple of strikes" (MD).*

"There was a meeting at Packe Street where half the organization (employees) was. That meeting turned into a major moan and we had a mini-revolt" (GM, Strategic Business Development).

The MD sought to appease the situation and avoid such confrontation by committing to a philosophy that valued open communication.

"Having been involved in the ECNZ restructuring I was determined not to go through such a confrontational approach again, so if you like I'd seen how not to do it (change)" (MD).

Consequently SPL's senior management worked at gaining support for change by maintaining open communication channels through a process of consultation with affected parties.

"We got working parties with the unions and using the data from the research we worked out with them productivity gains and we got a consensus in terms of what the numbers might be to do a particular task. Then we said this is what we've got and this is what we need, 'hey there's a big gap there'. And we locked them in to the concept that things had to change" (GM, Network Services).

In doing so senior management acknowledged that the pace of change had been too rapid and agreement was reached in regards to the extent and pace of change.

"We agreed that we had moved too fast and extended for 12 months the reform process so that the idea of setting up mini business units was accepted. We made the mistake of pushing too fast" (GM, Strategic Business Development).

The threat of industrial action forced the management of SPL to make concessions and alerted them to the need for an open and consultative approach. However, as a result of the lessons learned, SPL *"never ever had a strike during that whole process of reform. To a large extent it was (avoided through) a process of consultation"* (MD).

Senior management also sought to further enhance the operation through diversification into the retail appliance sector. In mid 1989 SPL launched a chain of retail stores under the brand *"PowerMax, which was a huge commercial retail business"* (Board Member). The motivation for the development of this business was twofold. First, SPL's senior management anticipated the vertical integration of energy services.

"The view was that because we're in the home every month with the power bills we could actually market effectively. We had a competitive advantage in the in the appliance business" (GM, Corporate Services).

Second, diversification into a retail setting offered SPL's management the opportunity to experience and learn from a sector that already operated in a fully deregulated and highly competitive environment.

"One of the reasons for getting into appliances was that was a competitive industry and that can be used as a role model for Southpower. We could observe how appliance people behaved in a competitive market and learn from that - a case study philosophy" (GM, Corporate Services). "That (diversification) was also a factor in making us thinking about, change all the things you need to know to get this (wider) business in shape for competition The appliance business which is a competitive part of the market was an example to the organization. We saw the sort of attributes of the appliance business we needed to have be successful" (GM, Trading).

Adding further to SPL's development was its acquisition of two further MEDs following the government initiated amalgamation of local bodies. The amalgamation of the CCC with neighbouring local bodies enabled SPL to grow considerably through the acquisition of adjacent electricity networks to become the sole provider of electricity services in the city and immediate urban areas.

"We had local body amalgamation effective from November 1989 when the Christchurch City Council was incorporated and eight local authorities were abolished. There were two minor MEDs Riccarton involved in that (amalgamation) Riccarton and Port Hills which were in fact bought by Southpower they paid the local bodies for them and so they merged into this mix as well so you had Riccarton Port hills Central Canterbury and Christchurch MED forming the entity" (Chairman).

This affected the ownership structure of SPL.

"What it (amalgamation) really amounted to was that the three local authorities that had formed part of the network owned the new entity Southpower limited. So that ended up on a valuation basis that is to Christchurch city 88 percent in round figures Selwyn district 10 and Lyttelton and Banks Peninsula district for a wee bit one-point something percent so that's the evolutionary process that's created the current Southpower Limited" (Chairman).

However, the new ownership structure did not change the strategic focus of SPL.

"Our job was to maximise the value of the investment for the owners when the when the joint venture was formed" (Chairman).

5.11.5 Cultural Change

Although the need for change had been identified at managerial level, the same urgency for change was not present in the wider organization.

"The key thing was to get the organization so that functionally it was capable of operating in a new environment but more importantly culturally it was able to operate. We needed a mechanism to change the culture" (GM, Strategic Business Development). "People feel very uncomfortable with change generally. I mean gradual change they can cope with, but the step changes - human nature is such that it just tends to resist it" (MD).

To develop understanding and mobilise support for change market research was commissioned.

"We used market research to tell us how well we were doing and what the customers thought of us" (GM, Strategic Business Development).

An analysis tool called SMART (Salient Multi Attribute Rating Technique) was used to identify the preferences and values (attributes) of customers and compare these to those of the organization, in doing so measuring alignment of the two.

"SMART measures both qualitatively and quantitatively what is important to the customer by benchmarking against a non-existent competitor – a pseudo-competitor – and reveals what factors we need to focus on in order to beat or compete with that competitor" (GM, Strategic Business Development).

In late 1988 the survey results revealed that public perception of the organization was poor. Although the effective supply of electricity had been the primary focus of the Christchurch MED, this was viewed as only one of thirty-five attributes considered important by customers.

"(We found that) we didn't see beyond the meter and we had a lot of rules and regulations to set ourselves that weren't necessarily customer friendly. We weren't all that easy to do business with and we needed to handle enquiries speedily and promptly. And apart from doing the obvious things like getting the power back on when there is a problem (we found) that there are other ways that customers want to interact with us. There's a lot of information they need about energy and energy usage" (GM, Network Services). "What we found we had done was measure the gap between staff and customer perceptions – a huge gap. If we had found the answers were right across the two, there was a cultural fit to the new emerging environment. We needed to find a match" (GM, Strategic Business Development).

The management group had underestimated the breadth of the organization-customer gap *"Some thought it was so out of line that they thought that the market research was wrong"* (GM, Strategic Business Development) and closing this gap became the primary focus for senior management. The first stage involved the running of small group workshops where staff was asked to list their interpretation of customer expectations and values and how successful they believed SPL was in meeting these. Staff lists differed significantly from those of customers confirming earlier findings.

"We didn't tell staff what the top ten was, and we got them to pick it from the attributes. We didn't want to see an order ranking of the top ten, just identify what they were and most got it wrong" (General Manager, Strategic Business Development). *"We asked them what they thought the most important things were and how they ranked and they almost invariably got them all wrong. The staff's perception of what they thought was important and the customers perception were almost always totally different"* (MD).

The differences presented SPL's management with the evidence necessary to convince their employees of the urgency for cultural change.

"SMART gave us power (to change). We didn't think SMART was a cultural change tool, but it was" (GM, Strategic Business Development).

Staff expressed concern about the reliability and validity of the method but *"the market researcher was bought in to explain the methodology which was most powerful - staff could criticise management but not external experts or customers"* (GM, Strategic Business Development). SPL utilised SMART to develop a cultural change programme called 'Focus on Customers' that aimed to develop of individual competencies to stimulate a flexible, competitive culture similar to that of a popular fast-food chain.

"We tried to draw on the McDonalds model where it became socially acceptable to be good with customers" (General Manager, Strategic Business Development). *"Training and competence building, as well as developing self confidence was very important. For many years people had been working in large crews with specialised tasks (and were) focused on doing the same thing day in day out (and) where there was no need for self-confidence. Now they were being asked to undertake a whole raft of things, and needed to develop confidence as the scope of their work had expanded. This required flexibility, responsibility (and) the ability to negotiate and communicate as well as operate within the codes of conduct/regulations. This was important as a driving factor for*

change, as developing this confidence helped develop and add value to the organization by improving the service and range of abilities" (CEO, Connetics).

Initially implemented by consultants, the organization was broken up into interdisciplinary work-groups that for the first time forced all staff to deal with people and problems outside their own operational areas.

"Some people welcomed it as a breath of fresh air and said 'Well there's nothing radical about this'. Other people were saying 'Oh God, here we, go yuppies taking over the organization and trying to change it'. You know (they were saying) 'the engineering will be compromised' and all the rest of it" (GM, Corporate Services).

Later SPL's senior management took over management of the programme.

"We (senior management) took them (staff) through focus on customers - which is really the whole process of cultural change. We fed the market research back into the loop, and we had every staff member involved over those years and understand how we were doing whether we were improving where our problem areas were" (GM, Network Services). "It took four weeks to get through the organization in groups of about twenty with five or six senior people (running the workshops). This meant they (senior management) had to front up to the organization. This mechanism made people appreciate how serious the whole thing was" (General Manager, Strategic Business Development). "We literally had to roll up the sleeves and get into it to get people to realise the extent of change they had to cope with. So we ran the whole organization in groups of about twenty people - and there was about eight hundred staff at that stage - through this process, showing them what the customers thought and where the gap was" (MD).

Over time the programme stimulated cultural change by enabling staff to identify the link between personal action, organizational performance and customer satisfaction.

"The concept that there was a customer behind the meter was the biggest change. It was often said in the past that we were largely engineering driven, that we didn't see beyond the meter - particularly that we had a lot of rules and regulations that weren't necessarily customer friendly. We weren't all that easy to do business with in the past but these are the sorts of comments that are made. The biggest cultural change is to think that the customer - the person paying the power bill - is a customer, and we need to handle enquiries speedily and promptly" (GM, Network Services). "All of a sudden we got change, customer focus, market research, new innovations, externally focused, looking at the industry what's happening, preparing for competition, openly talking about competition, losing customers, retention, offering customers new

things and all that sort of stuff. It's just a completely different philosophy and culture, (one) that Chris was looking for" (GM, Corporate Services).

Training in specific skill areas such as time management, personnel and financial management was also provided. Team leaders were given specific attention to ensure the development of a consistent managerial approach.

"A fundamental in Southpower's evolution was the introduction of ongoing training in team management, customer services and administrative competencies" (GM, Trading). "Team leaders were trained together as a peer group in order to gain a consistent approach, and individual coaching was given on specific issues" (CEO, Connetics).

To reduce anxiety and promote change *"we (senior management) put in place a very comprehensive communications programme with staff, which was not only newsletters and briefings and you know all the sort of team briefs and those sorts of things" (MD).*

"We spent quite a bit of money videos. We used to put a video out every three months in the early stages and then every six months. It showed other parts of the organization (to the entire staff) so that they understood how one part influenced the other, we used a video medium to help give them an understanding of what was going on. And you used the staff in it as well so that the staff were very proud to be on this video. They'd talk about what they did and what the impact was on parts of the organization – they got to understand where they fitted in. That was very powerful that whole communication process was an integral part of the culture change" (MD).

Departmental briefings provided the main form of communication, but the MD also made it a priority to personally address the organization through 'roadshows'.

"I would stand up in front of staff - either large groups or small groups - so that I could explain what we were about and they could challenge me and ask questions. We had to talk to the staff about what we saw the shape of the industry being and the future and what that might mean to us as an organization. We had to work towards retaining the customers not towards pissing them off if you'll forgive the phrase" (MD).

Initially these meetings were greeted with scepticism and often hostility.

"In the early stages of reform they were slanging matches where people got things off their chest" (MD).

However the MD persisted with this approach in the belief that *"the best approach to change management is to be up front and tell it as it is - communication, consistency and honesty"* (MD).

"Even though it was confrontational at times it was very important for them (staff) to see that you were prepared to front up to them and explain the issues, explain the rationales. And also able to take comments from them, take them on board and give them a reason as to why something they may have thought was a good idea couldn't be done. It's that whole issue of people being able to rationalise in their own mind what's happened and why it happened. If they can do that personally, they can go back to their spouses and families and explain what's going on rather than say 'that bastard up there!' We put the fundamental framework and a philosophical view out there and said to people: 'OK you're with us, this is what we're going to do (and) we'll help you change. You don't have to - you might not feel you have the skills to do what we need to do. But we'll help you, we'll train you, we'll bring you up with the thing and hopefully you'll still feel with it - still feel that you're comfortable with it" (MD).

Associated with investment in staff development was the decentralisation of the operational decision making process.

"People have got much more authority to achieve, we've given more authority its been very successful. Just given them the tools to make the decisions" (GM, Trading). "A fair part of the cultural change was actually giving people the authority to make decisions on the basis of what they felt was the best thing to do, with the back up being if they got it wrong we'd look at why they got it wrong and we'd help them avoid getting it wrong again. But they wouldn't get a kick up the backside or be fired just because they made their best effort and failed at it" (MD).

This required investment in operational support systems, primarily in the form of protocols and computer networks.

"We've had to set our business up so we can actually give people the freedom to get out there and make decisions, you know. We've had to put systems in place so they could actually make decisions" (GM, Trading).

With decentralisation and autonomy came individual and group accountability. Financial and operational targets were set by senior management to ensure the maintenance of strategic alignment.

"We set every part of the organization with targets of where we wanted to be in terms of the satisfaction factor. And we said 'OK you people, go away and every month we want to know what

you've done in terms of meeting the criteria and changing the customer satisfaction" (MD). "There are financial performance measures, customer satisfaction performance measures. The one that really counts is financial performance (as) the long-term growth of shareholder wealth is what counts. To achieve that short term and long-term financial performance customer satisfaction is going to impact on that performance" (GM, Trading).

However despite the achievements, the MD lamented the speed with which cultural change could be implemented.

"It was a very radical change, for people to have to try and think in terms of providing a customer with service rather than just doing what they told them to do. What we would have liked to have done is put the change in place very rapidly and done a step change. But what we found is there is sort of a natural inertia with people in terms of how fast you can get them to change" (MD).

Senior management's overall perception of progress made prior to 1992 was that *"the desire to move to customer service was well accepted by staff" (GM, Corporate Services)* but the process of cultural change had been far more complicated and required more time and personal involvement than anticipated.

"Cultural change is the hardest aspect to change – culture and behaviour. A number of changes a year in structure is very difficult to deal with. Management didn't realise how difficult that process was. They thought that the pace of change was reasonable, and that it would be OK to continue, but they found that there was a maximum rate of change that people could actually cope with and it is very slow – even for those most willing to change. Management thought that it would take three to four years for the bulk of the changes to be implemented, but it took a minimum of five to six years before they had broken through and made most of the cultural changes. It was a process of winning people on side. After three years it became socially acceptable to be good with customers, so we could tick that off on our McDonalds philosophy chart. But it took a long time. It just isn't acceptable to change quickly and get rid of the people that don't agree and replace them with ones who do because you chuck out valuable skills, people with twenty thirty years of experience the ones who keep the lights on. So you need to retain the skills base and make sure they understand why the old ways are not acceptable" (General Manager, Strategic Business Development).

Unlike its EPB counterparts, the change process in SPL began well before regulatory compulsion forced strategic and structural realignment. Against a backdrop of increasing uncertainty the council owners of the former MED, concerned with maintaining ownership rights, initiated change in anticipation of

deregulation. What followed was a three-year process of strategic, structural and cultural reorientation intended to create a commercially successful operation and prove to the government the viability of council ownership.

5.12 Reactive Change in SPL

5.12.1 Strategic Change

By 1990 government impetus for change waned, compounded by the exposure of *"fundamental problems with the 1918 Electricity Act"* (GM, Corporate Services), resulted in an extended period of lobbying by electricity companies around the issue of ownership.

"The barrier to reform was figuring out who the hell owns them (electricity companies)" (GM, Strategic Business Development).

"The legal debate was who owned these entities" (Chairman).

Although the government had made progress towards the implementation of a deregulated industry, confusion and uncertainty surrounding the ownership issue slowed the process of institutional change.

"The industry has slowed the process down. The Government stuffed up at the legislation level because they haven't followed through with the determination to enact or get their mind around some of the ideas. This has sent mixed signals, signals of uncertainty and has allowed small power boards to become involved in the political process which has slowed it all down" (GM, Strategic Business Development). *"There's the political aspect to how well they're (EPBs) lobbying Government to review the regulations to suit them rather than Southpower"* (GM, Corporate Services).

SPL used this period to concentrate on strengthening the organization, by following a more introspective, reactive approach to change than had occurred in the previous three years.

"1990, 1991, 1992 this was when the joint venture was getting up a full head of steam and the merging of the MED and the other little bits and pieces. That was the main sort of management of change of management of structure and of systems and of operation and the cultural change of the place" (Chairman). *"(At that stage) Southpower's approach was reasoned - it stayed out of (government) policy making as it allowed us to be dispassioned. We were big enough to see changes made (to the industry) without the threat of losing out. This was in the best interests of the industry and customers rather than individual (company) motives where if we got involved we could be discredited for self-interest.*

Rather we became a sounding board" (GM, Strategic Business Development).

Rather than concentrating on implementing radical organizational change in anticipation of a new competitive operating framework, SPL's strategic focus shifted to consolidating on the gains made in the preceding years.

"This was a significant philosophical change influenced by trying to gain a secure position rather than competition" (CEO, Connetics).

The introduction of the Energy Sector Reform Bill (1991) reaffirmed the government's stance on MED ownership, the only requirement being that SPL hold a public poll to gauge public opinion on the issue. Few people took the opportunity to participate and generally supported the status quo.

"There was a procedure for public consultation as to what form of electricity supply company the local people wanted and they (Southpower) had to produce an establishment afterwards. Public submissions were put in and the majority of submissions - and there weren't very many of them I must say - favoured continuing local authority ownership" (Chairman).

With the passing of the ECA in 1992, the relationship between owners and electricity companies was formalised and a timetable for change for the following 18 months was set down.

With no change in ownership, a legislated timetable for change and the emerging lack of radical environmental change caused by the resistance of other organizations, SPL's change strategy shifted to a more reactive approach. The CCC in particular was influential in determining SPL's strategy, despite the owner-operator separation that the LOE model theoretically provided. Although it was recognised that *"they (councillors) cannot direct the directors to do 'X' (specific actions) - they can suggest we might make changes, but they cannot tell us to do it"* (Board Member) the council continued to put political pressure on SPL through the board, whose members were aware of the fragility of their positions – *"In the end they can tell us at any time say we haven't got a job, putting people in who might do what we don't want to do and thats been a strong point in running this company"* (Board Member). This influence was further stressed in the statement of corporate intent agreement, within which the CCC required SPL to meet the dual traditional goals of

providing electricity at moderate cost to consumers and ensure that the organization operated profitably in order to provide a source of income for the city. However these traditional goals, although now cushioned in commercial terms, neither threatened the commercial operation of SPL nor contravened the intent of the legislation. Furthermore they did not prevent the introduction of further structural and cultural changes.

In reaction to the imminent introduction of competition in 1993, and in a bid to meet the CCC's dividend expectations, SPL's senior management implemented a strategy of diversification that sought to reduce the organization's reliance on electricity alone.

"This company hasn't got a chance of surviving unless its got a wider interest than just electricity" (Board Member). "Where in the world, given the trends in the world, do you see any sustainable single product company where that product ends up as a commodity? It's not sustainable. So you you've got your choices - you either go to market via channels and form part of somebody some other retailers product offering, or you diversify and become a retailer, one of the products of which you offer is energy. That's looking forward a number many years, probably ten years, but the development of that will happen very quickly" (MD).

In 1993 SPL diversified into the consumer gas market by purchasing Enerco, a large North Island gas company. This reduced SPL's exposure to the potential effects of regional competition, substantially increased the scale of SPL's operation and provided a base from which it could launch cost competitive energy services nation-wide.

"We've got a lot of flexibility when we've got two fuels so we've got two networked the North Island and the South Island, you've got counter climate benefits from that there's a whole range of benefits and you've also got two fuels" (Chairman). "If you can supply more than one option to a customer you've got a greater chance of keeping him under your umbrella. That in today's environment is very important. When you've got your gas heaters you've got your gas ovens you've got all these alternatives, they come to you for that rather than go to someone else" (Board Member). "We own sixty percent or seventy percent of the gas, listed gas company, so we've got you know a national presence. You know, we're the only national energy company in the country in that sense you would never have got into that position from the earlier situation" (MD).

This purchase represented the continuation of the radical cultural shift in the organization, one that senior management intended would recreate SPL as an 'energy' rather than 'electricity' company.

"We've gone into Enerco and widened into gas and Port-a-gas from other interests. We supply gas for customer use, and I think we look quite properly on the role of power authorities supplying energy rather than electricity or gas or whatever you want to name. We're an energy company, and I see that as the way of the future - you have to be able to go right across the field. We've been able to make good commercial decisions like going into Enerco and being able to expand the value and create a whole lot of shareholder value and do that for commercial reasons. I don't think this company's got a chance of surviving unless its got a wider interest than just electricity. You've got to have more strings to your bow these days than you did twenty years ago" (Board Member). "The stake that we have in Enerco could lead, could lead people more towards a total energy approach. Electricity companies had previously seen themselves only as electricity companies, not as energy companies, whereas I believe - I don't ever think we only thought of ourselves as a only an electricity company, even before we bought Enerco" (GM, Corporate Services).

The diversification strategy was also seen in the continued development of the appliance retail business, which grew rapidly after 1992 *"having relivened it with some fanfare"* (Chairman). Substantial investment was also made in the development of new technologies.

"We've provided seed capital and facilitation for Whisper-Gen which is a small scale multi fuel generator, and similarly with Computech which is a biomass trial and with Orca which is a sort of a smart home smart energy technology and we've put quite a lot into that. We have a subsidiary in the United States technological subsidiary wholly owned and we're thought of as relatively forward thinking in those sorts of connections" (Chairman).

The rationale for this investment was seen as twofold.

"Its (Southpower) invested in technology to ensure that it's going to be competitive in the future, that when technology shifts some of the aspects of energy trading that it will be able to adopt those technologies and perhaps influence the directions of that to Southpower's benefit - that's one of the rationales. The other rationale is that there might be a business there in its own right, to supply and exploit those wider than perhaps the New Zealand context, but perhaps maybe make an export market out of some of those innovations" (GM, Corporate Services).

However senior management recognised that diversification was not always beneficial.

"One of the problems with the diversification was that they take just as much management time to manage, they still have to be done successfully, and that can divert management attention away from the core, which is potentially more serious than diverting financial resources. If you're a manager and you've got fifty people working for you and you're diverted to a diversification project and you've got fifty people not performing satisfactorily or your business unit is not going in the right direction or there is some particular threat that is not being addressed, that is potentially more serious than this project over here failing at an early stage. Those issues came out through the diversification phase" (GM, Corporate Services).

5.12.2 Structural Change

The financial separation of SPL's network, contracting and electricity retail/sales divisions implemented prior to 1990 had been made in anticipation of the organizational form required for a competitive environment. However, although SPL made significant progress with each division having *"had a couple of years practice as a profit centre, we weren't getting the efficiency gains. It was just observed that they weren't really seen as a separate units at all, so the efficiency gains weren't being gained"* (GM, Corporate Services). This was particularly evident in the contracting division of SPL. With the goal of reducing costs SPL's strategic management separated the contracting business as a stand-alone commercial operation called Connetics.

"The decision was made pretty much by the managing director. The corporatisation is to force efficiencies and to allow network to focus on what needs to be done, rather than trying to keep a work force occupied you know... try and provide them with competitive pressure on Connetics staff by opening (the) network up to competition" (GM, Corporate Services).

The separation and corporatisation process was swift.

"A transitional board was set up to corporatise Connetics and they eventually became the board of directors of that company. So that board selected a chief executive, and systems were put in place over a four-month period - accounting systems and service level agreements and contractual arrangements between Southpower and Connetics. Evaluation was done of the assets, and the company bought the assets and so on. Staff contracts were transferred to the company, so quite a lot of focus went into successfully and professionally transferring everything across –

what needed to be transferred across – to the company” (GM, Corporate Services).

The separation of the contracting division under a new brand was a radical but reactive change that distanced the organization’s association with SPL and allowed Connetics to operate *“all over New Zealand not just work for Southpower” (Board Member).*

“With corporatisation, a development of a brand could begin. This was an important part in demonstrating the legal separation and development of Connetics and to finally show that there was no opportunity for cross subsidisation” (CEO, Connetics) “Now Connetics is a separate company and has its own board of directors and is accountable to the shareholder Southpower like any other company would be to its shareholders” (GM, Corporate Services).

The introduction of corporate accountability and competition forced significant efficiency and productivity gains through the new organization.

“What we’d learnt was that by having contestability and introducing other contractors, that productivity can be improved considerably sometimes to the order of twenty to thirty percent. We have some very good examples of massive improvements in productivity - where changing poles, it took something like sixty man hours down to about twenty changing a pole. Certainly the techniques used by contractors has lead to greater and greater improvements and therefore a downwards pressure on prices” (GM, Network Services).

Ultimately however SPL maintained ownership and control of Connetics as divestment posed a strategic risk.

“Selling Connetics is a constant consideration. But the only reason why we haven’t sold it is we are not sure whether strategically we’d be weakened by having our major contractor owned by another party. They are a very important contractor to Southpower. We wouldn’t want to be held to ransom by what might be effectively a monopoly in three or four years time. The contracting market is very tough to make money in. Like building contractors they’re a dime a dozen - they’re here one day and they’re gone the next. And we don’t want to be - so it’s a risk management issue as much as anything why we haven’t sold Connetics. But it’s under constant review” (GM, Corporate Services). “We’re not making money I might tell you out of Connetics our contracting business but I tell you something we certainly you need to keep an in group capability – in this sort of business you just imagine if we haven’t got if we didn’t have control over specialist staff” (Chairman).

Similarly the meter reading function was developed as a separate corporate entity (Calibra) and likewise the IT departments of SPL and Enerco were merged to create Enersis. The development of electricity retail competition scheduled for 1993 also saw SPL develop electricity purchasing as a separate corporate function incorporating *"marketing, customer service, pricing and sales"* (GM, Trading). The development of an associated infrastructure was required to manage this new function.

"We had to go off and ensure we actually hired the right people to actually be able to manage, hire some expertise who were capable of managing that risk - and setting up systems to make sure that risk was actually being managed within the guidelines set out" (GM, Trading).

However while new skills were required in the SPL, traditional 'blue-collar' aspects of the business were under scrutiny. Between 1992 and 1994 staff redundancy became an increasingly common event as SPL restructured to adapt to legislated institutional change. By 1998 *"the size of the organization was reduced somewhere to the order of 15 to 20 percent"* (CEO Connetics).

The changes made to SPL's strategic and structural configuration in reaction to the Energy Companies Act (1992) also led to senior management implementing the first significant downsizing, fundamentally assaulting the traditional, bureaucratic 'job-for-life' culture.

"The legislation gave us a mandate for some of the things that – whilst they were politically undesirable in a local sense - they were commercially necessary. And so it gave us a way of rationalising what was an unpalatable political situation to the public because you're shedding a hundred and something staff that's terrible they're losing their jobs and families" (MD). *"There was an enormous amount of downsizing with the separation of our businesses into individual entities - all the blue-collar workforce really"* (Chairman).

Resistance to change increased as strategic and structural changes impacted on staffing levels.

"It was a cultural shock. People had been gradually working their way up their positions up the ladder and then all of a sudden we got redundancies" (GM, Corporate Services). *"People tried to cause it (change) to fail and set to do so deliberately because it threatened the comfort of their position"* (GM, Strategic Business Development).

Although senior management blamed the need to downsize on the effects of deregulation, the process was internally driven as it provided senior management with a means to remove individuals that failed to, or actively resisted, change.

"It (redundancy) wasn't just about removing the people it was also about removing the culture" (CEO, Connetics). "We got to a certain point after we'd been through the focus on customer stage where we had to say to some people 'You're either with us or you're agin' us. And I'm sorry, we've reached the stage now where if you're agin' us you'd better start looking for another job somewhere'. But by and large most people had made the change, and it was only those die-hards those few that were left who could potentially rot the barrel if you left them in so you just had to dispense with them. It only takes one or two bad apples, if you like, in a group and they can disrupt a huge part of the organization" (MD). "Retention of staff relied primarily on their ability - were they capable of doing the job required and did they have knowledge and expertise gained in the environment. (We) had to focus on this as it is a hard and tough competitive environment" (CEO, Connetics).

Unlike rural organizations where availability of technically skilled staff was limited, SPL's urban location allowed senior management access to a wider 'talent pool', enabling them the freedom to develop strict selection criteria that facilitated the implementation of cultural change.

"We had a big pool of people to select from. It was the case in the early days, if you like, trying to select the best people. We needed a multi-skilled team and especially getting the right people in the right holes. In my opinion you can persevere with people who just aren't going to change or aren't suited for a certain job, and you've either gotta get them into the right job or they've got to go if they're holding up the process of change" (GM, Network Services).

However based on his experiences in ECNZ the MD was concerned with ensuring that the changes did not cripple the organization as *"a number of people left because of the stress associated with the process of restructuring"* (MD).

'You can have all the theoretical purity you like, but in the end you're dealing with people. And you've got to try and bring them along with you - well you must bring them along with you because in the end they are the people that will make the organization work" (MD).

A support infrastructure was put in place to ensure that first all staff (both those made redundant and those that 'survived') could cope with the downsizing

process and second that the process would not have detrimental long-term ramifications for the organization.

"We made people available both to staff who were suffering from stress, but also to anyone who was made redundant we had a counsellors service available to them. We had job seeking advice and all those sorts of things. We provided quite a support network during that period to help both the organization itself and the people that left. That pays back many-fold in terms of just the mental well being of people in the organization. I mean if people don't get any support, or they don't know where to go to seek support, that is a huge cost to the organization because their mind, whether they like it or not, doesn't necessarily concentrate on the job. And so that has a cost to the organization" (MD).

SPL's management implemented three rounds of redundancies in the six-year period from 1992 – 1998. As staff numbers reduced the investment in cultural change programmes was reduced.

"The focus on customers...sort of petered out, we wanted to keep it going, and we never formally shut it down. But now it has to become a focus on competition" (General Manager, Strategic Business Development).

Senior management perceived that with the radical changes implemented in SPL the culture had successfully adapted, albeit slower than desired.

"We went through that process for probably years, and I mean we're still moving through it. But it's not, it's not quite as, it's not as energy intensive from a senior management perspective now. Its actually got a momentum of its own, because people have accepted it. (MD) "Its taken seven eight years to get to a stage where we're reasonably comfortable" (GM, Corporate Services). "It (cultural change) took some time though - basically six years" (GM, Network Services)

However remnants of the former MED culture continued to be identified as impediments to change.

"Some of the baggage is still there, but we never seem to be able to do anything as quickly as we should be able to. And some of that's a result of legacy systems. We still have systems that are very cumbersome and slow to change but there isn't the same culture of speed and urgency that there is in other industries (and) organizations (that) have been in competitive environments for a long time" (GM, Trading).

Leading many senior managers to make the following assessment of change.

"It would be easier to start by building up a company from scratch - to start with a mission and goals and standards, and then start collecting the staff that you want and build a name for yourself and build up, rather than just get groups of staff who initially are somewhat disaffected necessarily persuade them" (GM, Enersis)
"You know it's almost unfair to impose such huge change on an organization, it's almost better to start with a new organization over again. Separate the old way of doing things from the new and let people choose which organization to go to" (General Manager, Strategic Business Development).

With the threat of asset 'expropriation' removed following the Energy Companies Act (1992) SPL's management's focus shifted from concern for maintaining ownership of the organization for the CCC and more with consolidation of SPL's competitive position. This saw the implementation of strategic, structural and cultural changes in reaction to, rather than anticipation of environmental change. However despite the shift to a reactive approach, SPL maintained a radical change approach. Strategically senior management continued to focus on organizational expansion and diversification to become an energy company. This was supported by structural change with the development of specialized divisions and corporate separation continued in a bid to stimulate internal competition and reduce costs. The process of cultural change also included downsizing and restructuring. This was framed as a 'necessary' change to shift the culture from an engineering to a commercial orientation.

5.12.3 Attributes of SPL's Change Process

The ownership structure of SPL fundamentally determined when and how the organization changed. The initial impetus for change came as a result of the owner's fear of losing the organization. This fear initiated change first at the governance and senior management level and led to strategic and structural change.

"With the ownership (structure) that was there it (change) wouldn't have happened" (MD).

Further, unlike the community trust form of ownership adopted in an ad-hoc manner by EPBs, MED ownership was resolved early in the process of change. This reduced the influence of community intervention in the decision making process that had been seen in EPBs and granted the council owners the ability

to determine the extent and nature of organizational change necessary to first ensure maintenance of ownership and second meet legislative requirements.

"What helped is that the ownership structure was sorted out early. Other companies went through a long protracted process. We were allowed to get on to the job of understanding the business we were in 1992 – energy" (GM, Strategic Business Development).

The rapid and radical change undertaken prior to legislation by the newly appointed senior management was intended to fundamentally challenge the traditional MED archetype. However, despite the assertion that corporate separation of SPL from its owners had removed the effect of direct council intervention, political pressure continued to play a role in influencing the strategic direction of SPL throughout. As one senior executive reflected – *"It's better to have your shareholder on your side rather than against you"* (GM, Corporate Services).

While the owners initiated the change process the MD, employed specifically for the purpose of implementing organizational change by the CCC, was fundamental in determining the extent and nature of change.

"(The MD) has been the continuum right through this really" (Chairman).

As a board appointment the MD shared the board's (viz. council) mission to secure the ownership of the organization as an indefinite source of income for the city. Again using the quote from SPL's Chairman – *"as officers of the council saw it as our duty to see that this particular asset of the Christchurch City Council (was) retained in local ownership"*. Furthermore, as a former engineer and experienced change manager the MD was well indoctrinated in traditional and emerging operational values and norms.

"Chris was an engineer (and) knows when an engineer is probably pulling the wool over their eyes with complicated stuff that seems very complicated but it's not at all" (GM, Corporate Services).

Consequently, the CEO had the ability to understand the barriers to and effectively communicate the need for change. With the experience and knowledge in both fields the MD was also recognised as a credible and authoritative change agent.

"(The MD) has been absolutely vital. If there wasn't the leadership to create that and to absolutely demand it, it just wouldn't have happened. I mean it's just, I can't say how highly his leadership - his leadership was actually needed to actually state the way this is going to be." (GM, Corporate Services). "We were all made to feel there was someone up there who has a plan, who has a vision, who is going to drive you through, who's going to lead you if things go bad. Someone who actually behaves in a way that everyone else is therefore expected to behave" (GM, Trading).

In many aspects the MD fulfilled the traditional role played by his predecessor, taking an 'arbitrary' command and control role, while at the same time introducing changes to the organizational strategy, structure and culture that would fundamentally alter his role and the configuration of the entire organization.

"It's fair to say that that the early part of the change process has to be lead by one person. If that, one person hasn't got a picture of where he wants to go and can articulate that in a way that others can implement, you're dead in the water. You can't use consensus management when you're going through a change process. You've got to say we've got to do this and after that you go for it" (MD). "Chris would just make an arbitrary decision to say this is the way it's going to be. Half of the decisions were wrong because he would back track later on, but I think he was determined to actually make those decisions and provide that leadership and sense of direction" (GM, Corporate Services).

With board support and council approval by proxy the MD was granted the freedom to develop a vision of the future for the organization based on his assessment of the future. This vision was radically different from those of his predecessors and resulted in the development of radical discontinuous strategic, structural and cultural change initially introduced in anticipation and later in reaction to environmental change.

The ranks of senior management, specifically employed by the MD as change managers, also played a critical role in the implementation of change. The MD acknowledged that *"you can't do everything yourself in these situations, even though you've got to be deeply involved in the early stages and be seen to be deeply involved"*. Together this 'dominant coalition', assisted by consultants in aspects of cultural change, provided the expertise and knowledge to institute

second order organizational change – developing a singular focus for SPL that underpinned the entire change process.

“The key focus (now) is shareholder wealth - protecting and growing the shareholders investment” (MD). “The long term growth of shareholder wealth is what counts” (GM, Trading).

The physical size of Southpower and the resources available to devote to change management were significantly greater than those of EPB’s. This was seen as an advantage not only for the introduction of change, but also for long-term survival of the organization.

“Size is important as a factor for survival and competitiveness” (CEO, Connetics). “The bigger you are the better you are, small companies won’t compete in the future... the Ashburtons and the Mainpowers of this world, who have got large rural areas, in my book will struggle” (Board Member).

Size was also identified as a major hindrance slowing the process of change, but again the importance of size and associated influence and access to resources were deemed more important.

“Well if we were an organization of five people it would be far easier to change direction quickly. It’s like the difference between changing the direction of a speedboat or the Titanic, it takes longer to change direction radically change direction in a larger organization than a smaller organization. That might not be such a bad thing in an industry, a long-term industry as Southpower with such significant sized assets as say a network” (GM, Corporate Services).

Overall the size of SPL by virtue of its urban location allowed the organization’s management the freedom to implement more radical organizational changes than smaller, rural EPB counterparts.

The case of Southpower is one of an organization that has followed both anticipatory and reactive change paths. Forced into change by an owner’s insistence on maintaining control over the organization’s assets, Southpower was led by a Managing Director that followed a corporate model of management and change. This at first saw the organization follow an anticipatory strategy in an attempt to pre-empt the development of a competitive and uncertain operating environment. However as the anticipated environment did not eventuate the MD’s anticipatory approach gave way to a

more reactive strategy, building on the developments of earlier years. However the nature and extent of change did not alter throughout as SPL's management – granted the freedom by the owners to achieve the goals by commercial means – maintained a focus on recreating the organization strategically, structurally and culturally to a point where *“the organization now it bares no relationship to what it was in the past” (GM, Trading).*

5.14 Power New Zealand Limited (PNZ)

5.15 Overview

Power New Zealand Limited (PNZ) was formed from the merger of the Waitemata EPB (WEPB) that serviced Auckland's Western Suburbs/North Shore area and the smaller Valley Power EPB (VPEPB) that operated in the Coromandel Peninsula/southern Waikato region. Dominated by the WEPB, PNZ was the first electricity company to successfully complete a merger of electricity supply operations and also the first to list on the New Zealand Stock Exchange (NZSE), making the organization one of only three privately listed electricity companies. Today PNZ is New Zealand's second largest electricity company with in excess of 580 staff and 218,700 consumers spread over a primarily urban distribution area of 9,980 square kilometres. PNZ provides an array of services including electricity distribution, energy retail, contracting, design, construction, inspection, testing and training services.

The case of organizational change in PZ is one of reactive transformational organizational change. Forced to change strategic emphasis following the deregulation of the electricity industry, PNZ has followed a corporate model of management and change to transform the organization from a public service to private sector archetype with a strategic, structural and cultural emphasis on commercial imperatives.

5.16 The Electricity Archetype in WEPB

5.16.1 Organization Strategy

The WEPB conformed to the strategic, structural and cultural norms of the electricity archetype. Strategic planning in the EPB was dominated and co-ordinated by a community trust board that closely monitored the day-to-day running of the organization.

"In the old days the GM would take a week or ten days or even two weeks to prepare the papers needed for a board of directors meeting. Then it would take a week after to come down off the ceiling and to do the things that needed to be done. So his whole life was spent satisfying a bunch of directors" (CEO). "Every single cheque that left the company went through the board so if a cheque for a copper coil for twelve dollars was needed the board would write a cheque for it" (Manager, Human Resources).

Due to the organization's protected monopoly status *"all the work was done on a cost plus basis and there was no accountabilities"* (GM, Contracting). Consequently the strategic focus in the WEPB was no different from that of its peers with a 'paternalistic' approach that emphasized the importance of electricity delivery above all else.

"You had a bunch of engineers, job for life straight from university who construct these hugely expensive over-engineered electricity networks for the good of the consumer for the good of the public and we'll tell the public what they need - a paternalistic mindset (Manager, Human Resources).

5.16.2 Organization Structure

The structure of the WEPB also conformed to the electricity archetype: the organization was a fully integrated self-sufficient business managed through a hierarchical, bureaucratic infrastructure.

"It was one big business, very integrated. We had the whole process of designing the network, asset management/maintenance programmes, construction programmes through to the actual construction or repair of the network through to the billing of the customer. (It) was really quite a complete integrated process there weren't clear boundaries between those processes" (Manager, Human Resources).

5.16.3 Organization Culture

The culture of the WEPB was also reflective of the EPB archetype, with the dominance of engineers, a non-strategic management style, low staff turnover and a lack of consideration for customer needs.

"A company that was very engineer dominated and with no accountabilities. "Under the old power board there was no such thing as customers. They called them consumers and they got what they were given and they had no right to question. One of the guys said to me 'If a customer came in he wouldn't even go in and shake their hand if he was introduced to them'. They actually (had) that philosophy of 'They've got a cheek to come and talk to us. We're telling you this is how we're going to wire up this', it was unbelievable" (GM, Contracting). "The old power boards cared too much about the customer" (Manager, Financial Services).

The WEPB also presented the cultural characteristic of solidarity, strengthened by the role that trade unions played within the organization.

"People had all been employed under the collective contract which was negotiated down in Wellington for the industry normally resulting in outrageous pay claims then their contracts had a

secondary pay increase element based on years of service so everyone was getting two bites of the cherry. The old pay structure which had you know sixteen grades and thirty-five levels within each grade and every six months you moved up half a level and job ABC all of that classic stuff" (Manager, Human Resources). "We had one big collective employment contract that was very much union dominant" (GM, Contracting).

The lines of demarcation that developed out of industry agreements created strict lines of authority, resulting in little interdepartmental communication and suspicion that promoted the protection of self-interest regardless of the ramifications for the entire organization.

"In the past people tended pretty much to work in their own areas and not worry too much about the company goals. Everyone worked in their own silo sort of thing" (Manager, Financial Services). "Everybody was holding onto power. They did no training of staff" (GM, Contracting).

The power of national bargaining and traditional 'paternal' nature of the organization only served to reinforce this environment. The strategic, structural and cultural configuration of the WEPB was typical of the electricity archetype and succinctly summed up in retrospect by the Manager of Human Resources.

"There was seven hundred and fifty employees and twenty levels of management. I can go through and describe you what is the classic mechanistic bureaucratic structure for you. We were a power board in every sense of the word; service based public servant, classic grey shoes and cardigan brigade, long service no accountability. It wasn't a profit driven organization; no commercial internal structures or reporting structures either; (no) financial reporting or any other sort of reporting. It was very unionised; everyone but the chief executive was part of one collective employment contract. (There was) second tier bargaining. Remuneration committees with unions on them to do wage reviews; length of service based appointments; almost the days where everyone had a card with their name on it and when someone left the organization their card goes out and everyone else's card goes up a notch. It was brilliant to observe it. This building was a rabbit warren; it was linoleum floors, wood panelling, small corridors – everyone was locked away, a huge bureaucracy. The key themes from a behavioural and organizational perspective would be: a collective mindset, which was reflected in the contracts and the way people behaved; a service based public servant, no accountabilities with regard to any of the stakeholders – 'we'll tell the public what they need and we'll fix it and we'll make it'. Power boards by definition picked up almost had a sort of an unwritten social responsibility to pick up the work force that couldn't get a job in the

private sector. That sounds brutal, but we tended to pick up people that wouldn't have got a job anywhere else. Beyond that we had, as with many local or central government departments, a very paternalistic mindset. Unbelievably generous superannuation schemes, medical insurance schemes, superannuation, industrial chaplains, industrial nurses. There was such a paternalistic environment that it really just kept reinforcing that mindset that says 'I have a right to be here and I have a right to be looked after and the company's here for me I'm not here to work for the company' (Manager, Human Resources).

5.17 Anticipatory Change in the WEPB

5.17.1 Governance Developments

The first significant change to occur in the WEPB was the appointment of a new trust board. Reacting to the demands of the Energy Companies Act, a board of commercially experienced business-people was formed under the guidance of "one of the CA firms" (GM, Contracting) rather than through the traditional community election process. By mid 1991 the board had transformed providing the impetus for organizational change.

"The key drivers in this (change) process was the first commercial board of directors was appointed as compared to local body elections and elected board members. (They were) pretty keen people on our board. We had a guy, ex member of parliament for Kapiti, who had in the mid to late eighties actually driven a lot of the electricity sector reforms" (Manager, Human Resources).

The first visible change introduced by the new board was the renaming of the organization. Concerned with breaking away from the traditional image of the EPB and creating a distinct point of difference from the past, the board developed a new corporate/commercial identity rebranding the organization Waitemata Electricity (WEL).

"The Waitemata Electric Power Board as the first part of the reforms tried to create a new image for itself and moved away from the power board and called itself Waitemata Electricity. (These were) the first efforts to move it towards a new company - the first step along the journey towards becoming privatised and deregulated and ultimately listed on the sharemarket. It (the name change) wasn't a huge shift it was really the first recognition that things had to change" (Manager, Human Resources).

At the same time the board was concerned with ensuring that WEL's senior management had the ability to lead the organization through change. Anxious that such skills were absent, the board employed a professional change agent.

"One of their first appointments at that point was a person who was by profession a change agent or organizational development professional, and she was brought in direct relationship to the board" (Manager, Human Resources).

The board asked the change agent to review the skills and abilities of WEL's senior management and recommend changes at this level and throughout the organization.

"She (the change agent) was responsible for the first sort of cultural audit – where are we at and what do we have to do to change" (Manager, Human Resources)

5.17.2 A New CEO

Following several weeks of investigation the change agent recommended that the entire senior management level would need to be changed, confirming the board's suspicions. The first to go was the CEO who was replaced in late 1991.

"One of the first things that happened was the (old) CEO got the boot and a new CEO was appointed and she (the change agent) was part of that. (The new CEO) was 38 at that stage, PhD, groomed in the industry (having come) up through ECNZ, (he) really has been a bit of a young star" (Manager, Human Resources).

With assistance from the change agent the board selected the new CEO for his abilities in both the traditional (engineering) and emerging (marketing) operating paradigms, proven during his time at ECNZ as national manager of electricity marketing. The appointee was considered part of a "new breed" (CEO) of professional managers appearing within the sector and as such aligned with the vision that the board had for the future of WEL.

The new CEO with the assistance of the change agent immediately set about recreating the organization from the top down, starting with the executive team.

"She (the change agent) was brought in under the CEO too with a human resource/organizational development (focus). She headed what was supposed to be a two year project the fact that she stayed here for six or seven years is another story. The first things they (CEO and change agent) did was they took the structure and

immediately placed over it a level of commercial managers. So they went to the market place and attracted some people into the company - that was the first change intervention was to actually bring in some external competence into the company" (Manager, Human Resources).

Within two months a level of commercially experienced managers with experience outside the traditional boundaries of the organization and electricity industry was placed over the existing structure of WEL.

"Three new GMs were brought on board these were external people. Commercial experience was one of the key attributes for selection. So these guys (senior management) came to work for this guy (CEO) - he was the guy he built his team" (Manager, Human Resources). "The CEO was pretty much a driver of the whole thing" (Manager, Financial Services).

5.17.3 Strategic Change

Following the development of a new CEO and senior management team the next step was the creation of a strategic vision for the organization. Led by the CEO, the vision focused on developing WEL's structure and culture to place it in a position where it could exploit a deregulated environment.

"Our vision had always been to grow through mergers and acquisitions. Our vision was you could do it (operate) nation-wide and get synergies" (Manager, Financial Services). "The early vision was to be the best energy company in New Zealand. The CEO had the ability to create the vision and strategy which the company needed right then – that was sort of personified by the CEO himself" (Manager, Human Resources).

With the skills of the newly appointed executive team in place and a vision of creating a flexible, customer focused, vertically integrated national energy company the new management team set about simultaneously changing the structure and culture of WEL.

5.17.4 Structural Change

The CEO, with assistance from the change agent, redesigned WEL's structure.

"(The change agent) had the ability to understand that to do that you had to design change structures and a very integrated set of change initiatives to move the company forward. Those were pretty much designed and led by (the change agent) and CEO and designed by them" (Manager, Human Resources).

Three profit-centres were developed to reflect distinct disciplines within the organization – contracting, network, energy/customer services. Each was forced to acknowledge their competencies and focus on developing a competitive, profitable service. A fundamental change was the separation of network and energy disciplines.

“We wanted to create some clear accountabilities and bring about some internal as well as external tensions that would start to drive performance and change people’s behaviour. The key driver was creating competition. We did that in a brutal way by creating a barrier between network and contracting. In the past networking and contracting were fully integrated. We created the environment where every single thing they (contracting) did was up for grabs. We created an environment where our own guys had to compete to work on our network. Competition created a lot of internal tension, but it started making people very efficient to really drive in the performance we needed” (Manager, Human Resources).

Divisionalisation also meant that for the first time in its history WEL had a department specifically dedicated to the development of customer relations.

“That was the first time we’d pulled together in a tight business unit the people who were involved in that direct customer interface as well as the internal processes which actually drive customer service. So it was the first chance to really line up things like billing and call centre credit management the whole communication with customers” (Manager, Human Resources).

Associated with the process of divisionalisation was investment in and improvement of management support systems. Significant development of accounting and information technology was made to provide each division with the ability to accurately track operational resources.

“Systems have been quite a big focus” (Manager, Financial Services). “The support systems were put in place so that there was a framework to enable that level of empowerment across all functions to occur. The IT platform has been upgraded and all of that kind of good stuff” (Manager, Human Resources).

5.17.5 Cultural Change

Concurrent with strategic and structural change was the development of a cultural change programme that aimed to create a culture of flexibility and accountability more aligned with the needs of WEL’s strategy.

“The recognition was that we needed to change the culture of the mindset – the behaviour of our people – to drive financial success, that was the key driver” (Manager, Human Resources). “We

wanted a flexible and productive workforce. Our biggest problem was how much we paid people and flexibility" (GM, Contracting).

However the terms of employment and power of trade unions seriously reduced management's ability to introduce change; *"They (unions) were sort of trying to drive the staff where they didn't actually fit in where we wanted them to go" (GM, Contracting).* WEL's strategic management considered the industry level collective contract inappropriate and sought to reduce union influence.

"At that point we had a very aggressive industrial relations strategy. The GMs probably spent in that first year over half their time on pre-industrial relations either preparing for or engaging in direct negotiations with the unions" (Manager, Human Resources).

Through a series of steps planned by WEL's change agent and implemented with the aid of professional human resource managers, levels of hierarchy within the organization were reduced and the role of unions minimised. The first step to cultural change was spearheaded through the creation of the new position of Employee Manager (EM).

"We created this new beast called an employee manager (who) by definition was anybody that had people report to them and accountability for a team of some sort. Second, third maybe even fourth level of the organization were called employee managers" (Manager, Human Resources).

EMs were fundamental in the cultural change process, providing a role model and force for change at the operational level. Given training in aspects of financial and people management (*"we didn't just dump it on people" Manager, Human Resources*), EMs were delegated the power to make day-to-day management decisions. However the placing of EMs on individual employment contracts had the most impact on the culture of WEL.

"We created employee managers and put them onto IECs (individual employment contracts). In the space of two weeks we put 100 people onto individual employment contracts. Anyone called an employee manager by definition was not allowed to be on a collective contract. (EMs were told) you now work for the company, you represent the company, you are now a manager and we want to have an individual relationship with you. We want you to realign yourself away from collectivism and the union, we want you to align yourself with the goals and objectives of the organization. You're now part of the management team, you're now part of the team that's going to take us forward and we're going to

offer you a bright new future and you'll be on an individual employment contract" (Manager, Human Resources).

With remuneration tied to individual and group performance the introduction of EMs began to reduce the influence of unions and through their motivation encouraged wider change.

"The theme was performance through empowerment. The concept was at a micro level to make people accountable for their own performance to make team leaders and managers accountable for the performance of their part of the business. But more importantly it wasn't just performance against objectives it was growth as well. It was how are you (as an individual employee) taking the company forward" (Manager, Human Resources).

WEL's management also utilised the Employment Contracts Act (1991) to reduce union influence at lower levels of the organization.

"The unions were a barrier (to change) for sure. They had a collective strength, so we actually went and we started splitting up the work groups. And unions didn't like it because they got the same amount of union fees but they have a lot more work to do. And what we did is had an expiry date of all of our collective contracts at a different time so the union have to come around every month and negotiate an employment contract" (GM, Contracting).

Refusing to accept the industry collective agreement WEL's management, guided by the change agent, was able to break the employment collective.

"We broke down the national award in Wellington. We turned up there and refused to negotiate with the unions and we were probably the catalyst for breaking down the national award at that point and walking away from it so we got rid of that second tier bargaining" (Manager, Human Resources).

Reactions to this change in employment relations varied.

"Some people we thought would have resisted it (change) embraced it and are still here today through all the changes and are an integral part of the team. Others who you'd expect to go with you fought you. The bottom line to that is if you weren't part of that (change) you either stayed where you were and didn't last much longer or you made a decision yourself to move on in life. Most saw it as an opportunity – those who saw it as a threat or a challenge fell by the wayside quite quickly" (Manager, Human Resources).

The development of employment contracts fundamentally changed the employee/employer relationship. It provided senior management with a tool to

implement “a lot of targeted and aggressive restructuring” which destroyed the “job for life” (GM, Contracting) mentality. This was particularly evident in late 1992 during an operations review that resulted in one hundred people losing their jobs. To counter morale problems associated with redundancy senior management emphasized two central policies. First significant investment was put into the education and training of the workforce.

“There was obviously a whole lot of training (to get) a lot of buy in to the concepts” (Manager, Human Resources). “We actually did a bit of testing of some of the workforce. We actually found that a couple of people were illiterate as well so we actually had to educate the people. And we did some things that hit the hot points of people. We said ‘We’re going to invest in training and safety’. That’s the sort of thing we did. (With) some of our staff their skill mix is pretty low so we had a policy that you’re investing in training and you can actually sell it (change) to them” (GM, Contracting).

Second management established achievable milestones, targeting the “low-hanging fruit” (GM, Contracting) to maintain the momentum for change.

“We got people to buy into the vision on what we thought were some key things that we actually needed to achieve. So what we did was we actually thought well this is the long term objective of what we want to achieve lets put in place some short term ones. And I’m talking the ones you can achieve in a month or two months whatever and get all of the low hanging fruit. But actually do it so that the staff could actually get some wins so they could actually see that Yeah we were achieving what we said we’d achieve, we’re not as stupid as they (management) thought we were” (GM, Contracting).

5.17.6 Structural Refinement

The operations review of late 1992 sought to further refine WEL’s structure, in particular the separation of network management and contracting functions. The rationale was that separation would stimulate the reduction of contracting costs (“cutting out the fat” GM, Contracting) through the introduction of competitive pressures. The divisionalisation process was implemented at the operational level by “transition teams” (GM, Network).

“We split the total network into network services and an asset management group. We actually did that collectively through transition teams. That was done involving people from a number of different functions and that worked reasonably well” (GM, Network).

However although the rationale for change was clear to senior management, change created resentment and anger particularly amongst those in the contracting division.

"When the first major contract to do some work on the network was given to somebody else there was literally physical fights. There were people jumping over the table it was very, very aggressive. These were guys that owned and built this network, guys who had been here for forty years who with tears in their eyes talking about how they did the Wairau Road substation. To have someone else come and work on their network was really emotional stuff" (Manager, Human Resources).

The operational and emotional upheaval associated with the introduction of competition was utilised by senior management as a means to stimulate change. This took the form of the ISO accreditation process that first standardized the operation's functions to create a quality, competitive operation and second acted as tool for cultural change.

"We had 13 branches (offices) and we decided that we needed ISO accreditation to get us into some markets we had earmarked. We used it (the ISO process) as part of a cultural thing" (GM, Contracting). What it (divisionalisation) started to do was start driving competition, because once these guys had to tender for work on the network your internal processes improve you strip out the fat you become efficient you do better ways of doing things" (Manager, Human Resources).

As the changes made to WEL's structure and culture took effect, the CEO concerned himself less with internal issues and more with exploring strategic options for growth.

"We'd got to the point where we'd stripped out a lot of the fat. We'd developed internal processes that were, if not world class or best practice, were certainly getting towards that. Our structures and our internal processes were all working well, we'd kind of got our culture where we wanted it (that) signified the change in the CEO's direction. As we got into the more complex governance ownership structure issues the CEO tended to take more of an external focus and was more worried about positioning of the company within the industry and ownership and board issues" (Manager, Human Resources).

The CEO's desire to position the organization as a dominant national player resulted in the development of the role of Chief Operations Manager.

"At that point the company plateaued (sic.) and we changed the structure. We put in place a chief operations management role.

That signalled the fact that (the CEO) would take a strategic role and position the company in a market and make sure that we were well positioned to grow through acquisitions” (Manager, Human Resources).

The Chief Operations Manager sat alongside the CEO and was charged with handling day-to-day operational issues, while the change agent and human resource department continued to manage the change process.

“It (change) was being done through the human resource manager or organizational development manager and the chief operating manager” (Manager, Financial Services).

This left the CEO free to concern himself solely with issues of a wider strategic and political nature.

“The CEO wasn’t very good with people - a very good thinker and strategist and that but he left the general people issues to (the chief operations manager) because he couldn’t handle it” (GM, Contracting).

Consequently early 1993 was as period of consolidation for WEL as it sought to refine its systems, structures and culture in readiness for competition while *“the CEO board was trying to drive to sharemarket listing” (Manager, Human Resources)* and finalise the terms of a merger with nearby Valley Power.

5.17.7 Valley Power Merger

With the removal of franchise areas after April 1 1993, WEL entered into a management contract with the boards of directors of the Thames Valley Electric Power Board (Valley Power Limited – VPL) both parties seeking the creation of a larger entity to achieve scale benefits.

“We wanted to capture the economies of scale and lock in the synergies and efficiencies, we wanted to set the industry benchmark in terms of cost and service and reliability and then look for new opportunities to grow the business” (CEO).

To effect the merger WEL’s CEO created Power New Zealand (PNZ), a new entity comprising of WEL management that would develop other energy companies with the goal of becoming the leading provider of energy services in New Zealand. Legal complications slowed the merger process.

“The problem with the merger was that the approvals required to make the merger dragged on, and we were effectively operating as

joint companies for months before we actually formally merged. It was quite messy in that sense" (Manager, Human Resources).

On 1 July 1994, following the Minister of Energy's approval, the merger between WEL and VPL was formally constituted, creating *"the second largest company, virtually equal with Mercury (and) equal in terms of size" (Manager, Human Resources)*. Subsequently a new board was formed, comprising three WEL and two VPL directors, and the combined organization renamed Power New Zealand.

"We were trying to establish the model of assimilating these companies. The philosophy was that that (assimilation) was best obtained through you know the good will associated with a merger than a hostile nature of a take-over as this was essentially the first of many" (Manager, Human Resources).

Yet despite the rhetoric surrounding the deal, the merging of the two companies as PNZ was in retrospect seen as a WEL take-over in everything but name.

"Power New Zealand was the dominant player. It was described as a merger but we were taking over" (General Manager, Contracting). "We (WEL) were really taking over. Corporate offices were centralised here quite quickly. All duplication was removed to extract the synergies. Politically we tried to make it an even process but it was dominated out of Auckland. History has shown that what was the old Valley Power doesn't exist there isn't even an office down there any more. So it was a political merger but we were the aggressor, we were the dominant party" (Manager, Human Resources).

With the guidance of the change agent PNZ set about aligning VPL's structure and culture with WEL.

"We were trying to establish a model of assimilating these companies" (Manager, Human Resources).

Critics of the merger anticipated problems.

"There were a lot of criticisms that these weren't contiguous networks we were geographically separated and there are a whole lot of issues there. And of course we picked up a whole new culture which was the Valley Power culture – this (WEL's) culture had moved on a bit at this point" (Manager, Human Resources).

To plan the assimilation process managers from both organizations participated in a three-day retreat overseen by WEL's human resource department. Later acquiring the title of 'The Bunker', the meeting determined structural and

human resource changes required for the realization of PNZ's long-term growth strategy.

"One of the things that happened from day one was a thing which is now in our corporate mythology called 'The Bunker'. 'The Bunker' was a group of not just top (managers) but also stars from around the company and the odd influential person/informal leaders of the company. These 15 people were brought together and they didn't move for three days. They were told 'Don't go home. Tell your family you're not going to see them for three days. We'll bring in food, you can shower and no-one goes home until we get this thing sorted out'. That was the first attempt at strategic planning" (Manager, Human Resources).

'The Bunker' was primarily concerned with reducing VPL's operating costs through the reduction of layers of hierarchy and the removal of "deadwood" in a manner similar to that implemented in WEL. The process was recognised as crude and brutal but effective.

"There were some amazing things done in 'The Bunker'. One of them was the classic 'Here's your organization structure on the wall', and we had everyone's name and photographs. The (bunker) team by consensus classed (those) people as an A), a B) or a C). If you're an A) you're a star and you've got a future no matter where we find you in this new structure. If you're a B) we think you're competent and we think there probably is a future but it's up to you. And if you're a C) you're deadwood and you're out of there. That was a brutal exercise to go through but that was the step-change required and that's what drove the downsizing in the early days. It was presented to the organization in a slightly more dignified way if you like with a greater level of respect for people but effectively there were some quite brutal things that happened" (Manager, Human Resources).

Based on conclusions reached in 'The Bunker' VPL managers, with guidance from WEL human resource managers, initiated the restructuring and assimilation process. Although "one of the things which helped drive the change was lots of staff communication" (Manager, Human Resources) between senior management and staff, it was the utilisation of those identified as "stars" in VPL that played a fundamental role in the communication of the need for change.

"The top people were tapped on the shoulder at a personal and professional level and were presented with the future for them and what's in it for them in their new role in the company" (Manager, Human Resources).

Selected for their role as organizational *"opinion leaders"*, the "stars" of VPL were asked to head integration teams *"by definition a combination (of people from VPL/WEL) but typically Waitemata weighted"* (Manager, Human Resources) to implement change. The diversity of integration teams and the influence of their leaders provided a conduit through which new strategic, structural and cultural ideas could flow into VPL.

"There were some deliberate cross fertilisation of people (between WEL and VPL) in those early days. Some senior people there (VPL) were given opportunities up here (WEL), some people here went down" (Manager, Human Resources).

The primary focus of integration teams was to agree on the standardisation of structures, systems and procedures between the two organizations while minimising conflict.

"Integration teams worked to merge the companies together and make recommendations on which of the systems in play out there should be adopted throughout the company. So the idea was that we'd end up with one system where we had five. There was just a lot of duplication of systems and duplication of people. We had to sit down and formalise the things we wanted done. A big chunk of the job was to formalise standards, to establish a commercial basis for having work done. That was totally new concept to them (VPL) and so (it was) very much a work with them type situation. It could have been very adversarial" (GM, Contracting). *"We tried to install certain standards and put common things across the company"* (Manager, Financial Services).

This process relied on WEL's experience with the ISO system.

"We picked out a number of people at all different levels and trained them as procedure writers, turned them loose on the company and said 'Right, come up with a procedure to do something'. We used that process to drive the company together" (GM, Contracting).

A secondary benefit of the integration team approach was its stimulation of cultural change. First the teams provided a forum within which job descriptions, employment contracts and terms and conditions of employment could be negotiated. Second integration teams allowed managers to finalise the selection of employee redundancies based on skills, abilities, attitude and personal involvement.

"Integration teams allowed us to get rid of people that weren't contributing. That worked reasonably well as it was legitimised through a facilitated process" (GM, Network).

Finally cultural acceptance of change was stimulated through staff participation in the development of the Power New Zealand brand. Although WEL's CEO had finalised the concept, staff participation in the selection and design of corporate uniforms and colours involve people in the change process and forced them to acknowledge that the *"good old days were not coming back"* (GM, Contracting).

"Although the brand had already been designed we asked the staff if you like the uniforms all those things. The idea was people commit to what they help create. So while we recognised that some people were still very resistant and waiting for the power board to come back the philosophy was to actually get people involved in the change process particularly for those who were directly affected" (Manager, Human Resources).

Over the following year VPL was absorbed under the PNZ brand and the organization made substantial performance and cultural advances.

"We underwent a really steep curve of cultural development (that) really did drive the performance of the company. Every year we were making more money the head count was going down we were getting the company lean and mean and performing well with a good culture" (Manager, Human Resources).

Although the VPL merger marked the first step in PNZ's expansion, the organization lacked the financial ability to maintain this strategy. To raise the necessary capital and anticipating that other power companies would take a similar approach PNZ moved to float the organization on the NZSE.

"We were trying as part of our growth strategy to swallow up other power companies. As part of that process of growing the business through m and a (merger and acquisition) activity we needed some investment and we were actively seeking an overseas cornerstone shareholder. At that point we decided to list on the sharemarket and do a share-give away. All of these (electricity) organizations were expected to privatise fully and create an ownership structure that had greater financial accountability directly at an ownership level" (Manager, Human Resources).

The motivation for the board and CEO was to secure the support of an internationally based cornerstone shareholder that would bring commercial experience and capital to PNZ.

"We were actively seeking an overseas cornerstone shareholder to bring some things to the company particularly some investment to the company" (Manager, Human Resources).

Following several months of public consultation shares were issued to the former customers of WEL and VPL while Utilicorp New Zealand, a joint venture between Kansas based Utilicorp United and New Zealand's Todd Corporation was selected as cornerstone shareholder and sold a 20 percent holding.

"We chose Utilicorp because they had a similar philosophy. We selected that shareholder for their expertise" (GM, Network). Utilicorp's vision was you could do it (operate) nation-wide and get the synergies" (Manager, Financial Services).

With negotiations completed New Zealand's second largest electricity company went public on December 9, 1994.

5.18 Reactive Change in PNZ

5.18.1 Strategic Inertia

Delays to government reform resulted in less significant environmental change than either the board or management of PNZ had anticipated. Consequently few electricity companies chose to follow PNZ's lead as the majority of cases opted to protect the status quo.

"Some of the senior players, Mercury in particular and the others didn't put in place structures that allowed them to be attacked I guess the naivety of our structure was that it did" (Manager, Human Resources).

PNZ became an attractive take-over target, particularly to neighbouring electricity company Mercury Energy (MEL). On the day of listing MEL launched a hostile takeover bid for the control of PNZ.

"As a wonderful piece of corporate theatre on the day we listed the Mercury chief executive and chairman marched into the building, up the escalator, into the middle of a board meeting and said 'We're taking you over'. Marvellous stuff! We had (received) a lot of legal advice that that couldn't happen, but nevertheless that started a battle for control that went on for a couple of years" (Manager, Human Resources).

Determined to counteract MEL's aggression the attention of the board, CEO and senior management was diverted from issues of organizational development and PNZ's strategic, operational and cultural development stalled.

"Suddenly our managers were distracted to defend themselves to defend the company. It was disrupting for staff with speculation that went on from day one" (Manager, Human Resources).

MEL succeeded in gaining a thirty percent shareholding. With the right to representation on the board the presence of a competitor on the board created organizational, political and personal tensions at the highest level of PNZ that prevented the organization's management from exploring and implementing strategic change.

"The biggest impediment (to change) was not having a board that was aligned and able to provide direction to the company. We were hamstrung because Mercury was also a competitor (and) that major shareholder did stop us doing a lot of the strategic moves that we wanted to. If you have a shareholder with thirty-five percent of your shares they can actually stop you doing anything" (Manager, Human Resources). "They (Mercury) stopped a couple of major mergers so it did have a major effect on the company" (GM, Contracting).

The political instability that resulted from MEL's involvement reduced the role that cornerstone shareholder Utilicorp could or would play in PNZ's development.

"The fact that we needed control meant that our cornerstone shareholder wasn't willing to invest or share in technology" (GM, Network).

Denied access to Utilicorp's resources and the ability to implement change the momentum for strategic development and change within PNZ ground to a halt.

"We could never move forward - Mercury had a vision just focused on creating a mega-Auckland company. They were just a completely different focus and mindset" (Manager, Financial Services). "This impasse at an ownership level was very difficult, it actually got to the point where nothing could happen" (Manager, Human Resources).

The loss of control suffered by senior management had serious repercussions for the operation, specifically in respect to cultural development.

"As soon as we lost control of it (the board) the thing (change culture) blew out of the water. A lot of that I guess was because of inconsistency in management styles. We had a board that was effectively internally fighting and had different agendas – very dysfunctional. If we couldn't get alignment at the top we couldn't send consistent messages down the company" (Manager, Human Resources).

Distracted by the battle for control of PNZ, communication between management and staff suffered and organizational development faltered. Senior management credibility increasingly came under scrutiny.

"When there's dysfunction at that higher level it doesn't take long to spread throughout the entire company. The senior team lost credibility and we were going backwards during that period of time. People down in the lowest level got a pretty good feel for the mood at the top level so I'd say that that was a major impediment to actually taking the company forward" (Manager, Human Resources).

The organization both operationally and culturally began to stagnate.

"The culture and the mood of the organization plateaued and then dived" (Manager, Human Resources). "There was a lot of resentment (of management). It made my job a lot more difficult and get team work to move ahead and our people could actually see other power companies moving ahead" (GM, Network).

After three years of conflict Mercury and Utilicorp formed a compromise solution to the ownership struggle and in May 1997 the board voted to combine their shareholdings to create a joint venture holding company HoldCo.

"All of a sudden this HoldCo deal happened overnight and bang we had this huge conglomerate put together, it just started a huge bun fight. Utilicorp would provide the CEO and Mercury would supply the chairman of the board" (Manager, Human Resources).

Opposed to this solution the CEO and change agent resigned, unwilling to work with the new board.

"The first thing was that the chief executive left, directly followed by (the change agent). The whole leadership team of the company was in turmoil" (Manager, Human Resources). "There was casualties and a lot (of senior management) didn't get on with the new style so they decided to leave. Also it was probably seen that the industry wasn't really going where the vision was that the company would go" (Manager, Financial Services).

Utilicorp appointed an interim CEO, selecting a senior CEO from their Canadian operation to see the organization through the transition period while searching for a permanent appointee.

"I was over here on an interim basis until the HoldCo partnership could acquire control of PNZ and at that time they did an international search for a permanent CEO" (CEO).

However at the end of 1997 impending regulatory changes under the Energy Companies Act (1998), complications with legalities surrounding Utilicorp's cornerstone agreement and catastrophic operational failures at MEL put a halt to HoldCo.

"Because of (electricity supply) problems with Mercury and change in the regulatory regime and the electricity reform act provided opportunity for Utilicorp to acquire control of PNZ" (CEO). "It (HoldCo) was never actually put in place because it legally couldn't be put in place it would have been a direct breach of the cornerstone agreement that said we (PNZ) weren't allow to discuss strategic issues with a third party so they put at risk their investment" (Manager, Human Resources).

Utilicorp International acquired MEL's interest in PNZ.

"It smoothed out quickly, HoldCo fell over it was just staggering stuff. It left Utilicorp in control of PNZ and so it blew that whole ownership structure apart. Having got Mercury off our back that we had a shareholder that could actually support their investment" (Manager, Human Resources).

With a controlling interest in PNZ Utilicorp secured a majority representation on the board and appointed their interim CEO to the position fulltime.

"Because HoldCo didn't come to fruition that search (for a CEO) was abandoned and I'm now here representing in effect the majority shareholder" (CEO).

5.18.2 Strategic Change

Following his appointment the CEO's first priority was to stabilise the ranks of senior management. With the departure of the previous CEO many senior managers had left the organization and although the CEO persuaded several to remain with the organization he was forced to search for replacements. Many of these replacements came from outside the electricity industry.

"The senior management are new to the organization. Some are from overseas some of them from New Zealand. You'd be lucky if twenty percent of our senior management - that's the top two or three tiers - actually come from a power industry background, they come from a commercial type background and their used to international and commercial drivers" (GM, Contracting)

This was a deliberate policy on the CEO's behalf.

"I brought in a lot of new policies, for instance the fact that we fill more and more positions from outside the company than we would inside' (CEO).

With the freedom, mandate and resources to implement strategic change the CEO with his reformed senior management team began the process of re-establishing PNZ.

"I encouraged the need for us to change. It really was a need; it wasn't something that we came on ourselves. I've encouraged that need for change to bring about more significant changes than we really have to implement and we have to have complete cultural change" (CEO).

Utilizing North American management techniques familiar to the CEO the strengths and weaknesses of PNZ were analysed.

"I am on the telephone all the time to my secretary in Canada. I say 'Hey do you remember that form we put together there two years ago remember that strategic plan we worked on? See if you can dig it up'. You have these templates, management by templates - I've got a template for everything floating around somewhere and I've only had to change a few words" (CEO).

These techniques were perceived to be significantly advanced to those used in New Zealand's electricity industry.

"My parent is in is in energy and the management techniques back in North America and Canada are ten years ahead of what they are. Your country is rather isolated and has not been able to take advantage of a lot of new techniques. Maybe there hasn't been a lot of the desire to do it either. The influence that has been brought to bear on this company isn't coming from this country there's not a lot of good models out there to use. The models I use are all from North America. The model I use for the strategic planning process is where we identify our mission, our vision and our values our strategic objectives. Behind that are key success factors in our strategies and from that we develop our company objectives and we have a list of stakeholders in this whole process – customers, shareholders our employees and then our suppliers. This is an analysis we go through to develop the strategies, we look at the market and the products. Academic stuff but it forces us into some discipline. I think in general they worked" (CEO).

Based on their findings the management team agreed that the unfolding regulatory regime, with its requirement to divest either network or electricity retail aspects of the business, created an environment that provided growth opportunities primarily through network management and maintenance.

"We gave consideration to our core competencies the weighing of the assets and the profitability and the risk and reward profile. We made the decision to be a network company. Our new focus was to own networks and manage networks and provide network services,

our vision is to be the premiere network company in New Zealand performing to world-class standards. Our strategies are to achieve the lowest cost structure, deliver service reliability, performance on the top quartile, leverage our international expertise, set costs and service benchmarks for the industry, share benefits with the consumers” (CEO).

With an amended vision and strategy for PNZ managers throughout the organization were charged with reviewing the suitability of current structural forms and infrastructural processes.

5.18.3 Structural Change

Based on the new vision for the future PNZ’s CEO “established what I call an asset management structure” (CEO) developing a matrix form similar to that developed in other organizations he had managed.

“We’ve gone through a reorganization here with the basic principles of effective asset management. There’s a clear focus on maximising return on assets for the life cycle, cost minimisation, operation and maintenance and capital deployment of optimisation and effective risk and performance management. I’ve done it in every organization I’ve moved into” (CEO).

Four separate business units were created, structured vertically to reflect core competencies of network management, contracting, retail and generation with IT, accounting and human resource support services centralised to reduce overheads.

“We created a matrix organization with core business units in the vertical and on the horizontal we have the support services – finance and accounting, human resources, information services, organizational development and effectiveness, and corporate services including corporate communication, legal property, corporate secretary pricing and regulatory” (CEO).

To promote opportunities for growth the contracting division was given a new identity.

“Contracting has been operating under a different name totally different name totally different branding. It has been very important – some of our customers didn’t like the Power New Zealand name on our trucks” (GM, Contracting).

5.18.4 Cultural Change

Concurrent with structural change was a major effort to rekindle the cultural change process – “We had a total change in culture. A lot of it is because we

have an international shareholder” (GM, Contracting). The impetus for cultural change had taken a significant setback during the MEL years.

“We almost had anarchy management. Anarchy where managers were so empowered and those who were new to the organization had their way of doing things their own little models. We lost our framework, which gelled the whole thing. So a combination of the battle (with MEL) and combination of the eye off the ball and the combination of not reinforcing those philosophies which had driven the company you know through this (cultural change) then we started to go down and there was cultural slippage” (Manager, Human Resources).

Concerned at the extent of stagnation since MEL’s takeover bid the human resource department was tempted to recentralise staff management functions. This strategy was rejected.

“There’s this huge tendency to centralise, decentralise, recentralise, decentralise and we were that close to recentralising everything again that we would have ruined all the progress we had made. So instead of recentralising and getting control again we’ve actually just said ‘No we’re not going to recentralise but we are going to take a snapshot in time right now and address it and ask all the fundamental questions again. Have we got it right philosophically? We’re in that process right now” (Manager, Human Resources).

Instead the human resource team invested in the development of IT support systems and training programmes for GMs to re-establish a coordinated change framework that would promote organization-wide cultural alignment. PNZ also *“got some outside consultant facilitators to support those teams”* (CEO) through the change process.

“We (the human resource department) moved away from developing human resource policies and procedures to towards developing managers guide lines. We acknowledged their (EM) people management ability and gave them a bit more latitude, less prescribed. We said ‘Here are the things you have to do by law, here are some basic guidelines from the company as to how we want to operate and behave for some consistency’. That was really empowering to managers. It gave them the freedom to manage their part of the business and human resource (department), instead of being a group of twenty personnel administrators, became a group of five people whose sole aim in life was to design the empowerment framework. The management of people was fully decentralised and the support systems put in place so that there was a framework to enable that level of empowerment to occur. And of course the IT platform has to support that so that was upgraded” (Manager, Human Resources).

Cultural change was encouraged through clear and regular communication of the rationale, expectations and requirements of PNZ's new strategy and structure.

"Once a month all the senior managers in the company get together in a room for an hour and a half and we talk about what we are going to do to improve the performance, what does it look like for next month and so on. That's all new stuff for this company. It's done to try and find a way of getting the whole organization engaged in the business and they've (managers) been given training so once they have that information they then take that out to the troops" (CEO).

This message for change was reinforced by the development of key performance indicators (KPIs) that provided a standardised measure of performance.

"We developed a number of KPIs at an individual business unit and company level which are financial and non-financial measures rather than just a purely net profit focus. Customer satisfaction's a big driver and there's there were quarterly surveys done on customers impressions of Power New Zealand. They were influential in driving change. It (change) was all focused on service to the customer – the customer was the key" (Manager, Financial Services). "Key performance indicators are so important to perform" (CEO).

The ability of KPIs to promote cultural change was further enhanced when the remuneration of senior management and EMs were tied to monthly results.

"We introduced a performance based incentive plan for our all our management employees. I'd like to introduce it for all our employees because you end up with a very different culture" (CEO). "In the last twelve months an incentive related based remuneration has been put in place which has focused people on KPIs" (Manager, Financial Services).

With financial incentives for reaching targets, team managers were encouraged to motivate their staff by encouraging personal and professional development.

"It wasn't just performance against objectives it was growth as well. It was how are you taking the company forward, are you managing the capability and the competencies of your part of the company. Not having a middle management capable of implementing change is a major impediment. You can conceptualise until you're blue in the face but if you can't actually translate it (into action) you struggle" (Manager, Human Resources).

This determination to improve organizational performance through employee development was underscored with the creation of the position of Manager, Organizational Development.

"It's (staff development) not as good as it should have been over the years and that's one of the reasons why we brought in a new position a few weeks ago. His title is organizational development and his sole purpose in life is to enhance the capabilities of the people in the organization" (CEO).

By late 1998, following almost eighteen months of intensive development, the management of PNZ considered itself successful in revitalising the culture.

"We're now pulling it (culture) around again and starting to reinforce those philosophies and getting buy-in again" (Manager, Human Resources).

As we left the organization the introduction of legislation forcing the ownership separation of electricity retail and generation aspects of the business has seen PNZ refocus on expanding its network operation.

5.18.5 Attributes of PNZ's Change Process

Although Power New Zealand is a case of reactive change, the extent of change implemented within the organization means it bears little resemblance to earlier cases. The nature and extent of change is directly attributable to four key features; the influence of the board of directors, the CEO and the senior management team, the size and urban location of PNZ and the overall dominance of the corporate management philosophy.

PNZ's ownership structure and board was fundamental to the change process from the outset. Similar to earlier cases of reactive organizational change, PNZ's board was formed as a community trust in reaction to legislation. The intent of the board was also similar – to maximise the value of the organization for shareholders (the community). However the commercial experience and philosophy of individuals serving on the board meant that a corporate rather than community focused ideology was dominant. This meant that the board was less concerned with implementing protectionist strategies that preserved the value of PNZ for the community than it was with creating value through expansionist strategies. This corporate vision set the scene for the organization's development throughout and created a governance structure

more aligned with a competitive/commercial ideology than that of its contemporaries. Although this stimulated second order strategic, structural and cultural change early on it also exposed the organization to a hostile takeover bid by a nearby competitor. This created a non-alignment at the board level that resulted in a loss of strategic focus, diverting resources and the attention of PNZ's strategic management away from the implementation of change. The result was catastrophic from strategic management's point of view as early strategic, structural and particularly cultural advances were lost. It was not until the ownership struggle was resolved that the process of organizational change could begin again in earnest.

Despite the board's role in initiating change the implementation of change was left to senior management. Both CEOs were fundamental in this process. The first CEO was an industry insider with commercial/strategic skills and abilities considered fundamental for the turnaround of PNZ. Unlike the past, the first CEO was free to develop a change strategy unhindered by the board. He did so in consultation with a specialist change manager and team of senior management personally selected by the CEO for their commercial experience in other industries. This injection of new blood and ideas provided the skills for the implementation of discontinuous strategic, structural and cultural change. The second CEO, also an industry insider with considerable experience in North America, played a more stabilising role in the development of PNZ. Following the conclusion of the ownership struggle, the second CEO built on the foundations of his predecessor and introduced American formal management techniques to assess and refocus PNZ's direction.

The urban location and size of PNZ also fundamentally influenced the process of organizational change. Based in a large urban environment the decision making process of PNZ's board and management was less influenced by concerns for community welfare than in smaller, rural based contemporaries. As only one player in a larger regional economy, PNZ's management was able to implement radical organizational changes without fear of significant ramifications for the welfare of the surrounding community. PNZ's location in New Zealand's largest urban centre also provided the organization's

management with access to a larger talent pool. Related to its location was PNZ's size, which influenced the resources available to devote to organizational change. In combination these variables allowed PNZ's management to implement change strategies more rapidly and more radical than smaller, rurally based peers. Furthermore PNZ's large customer base made competition in its area feasible and cost effective for the entrance of other organizations. This meant that the organization was exposed to a far more competitive environment than rural based electricity companies and forced PNZ's management to develop a strategic, structural and cultural configuration with a competitive edge.

The case of change in PNZ is one of discontinuous change in reaction to environmental upheaval. Seeking a competitive advantage, the board and management of PNZ implemented a corporate strategy in an effort to break from the constraints of the traditional electricity archetype. This initially followed a linear path, but competitor aggression and regulatory changes prolonged the process of change during the solidification of its new configuration, resolved only when the environment stabilized.

5.20 Electra Limited (ELL)

5.21 Overview

Electra Limited (ELL) is a small electricity company based in Levin on the North Island's Southwest (Kapiti) coast. Formerly the Horowhenua Electric Power Board (HEPB, established 1920), the board restructured under the requirements of the Energy Companies Act (1992) to become Horowhenua Energy Limited (HEL). This organization is wholly owned by the Horowhenua Energy Trust (HET) on behalf of local customers (shareholders) and is widely known by the trading name Electra. Today ELL supplies 35,288 customers over a mixed urban/rural area of 1,628 square kilometres. With staff numbering 80, ELL is one of New Zealand's smallest electricity companies. Sharing the strategic, structural and cultural configuration typical of the historic electricity power board archetype. However despite the similarities with other EPBs, the path of organizational change followed by ELL has been radically different with a strategic, structural and cultural change programme that has seen the organization become regarded as one of New Zealand's most progressive electricity distribution companies.

5.22 The Electricity Archetype in HEPB

5.22.1 Organization Strategy

The strategy, structure and culture of the HEPB were typical of the electricity industry archetype. As one of the larger employers in the region the power board operated in a quasi social-welfare manner.

"The power board were performing a social function. It was really for the community – it provided employment and lots of it and put lots of dollars back into the local economy. But as a company it was actually going nowhere it was never going to change" (Company Secretary/ Support Operations).

With legislation demanding accountability purely in relation to the maintenance of a reliable electricity supply the HEPB grew to become a cash-rich, bureaucratic organization.

"This business and this industry has been characterised by very low levels of debt and very sleepy sort of organization structures that haven't had any pressure put on them at all. It was quite a bureaucratic environment that used to exist. We were in the biggest building in town – most power boards seemed to have and

the building gave a good indication of the environment of the company. It was very dysfunctional” (CEO).

As a consequence of this and the stable operating environment strategic provided by protectionist legislation, strategic planning systems did not exist as management focused primarily on building and operating electricity networks.

“There was no formal marketing plan, no organized formal business planning at all” (Coach Sales/Project Team).

Furthermore the ‘strategic’ emphasis on electricity network development and operation meant that like its peers the management of HEPB focused on over-investment in engineering aspects of the organization. This created a self-sufficient vertically integrated business.

“Like most power companies the business was really all about contracting. It was inspectors all the engineering side of the business. We had our own pole factory our own garage and we did everything basically with all the people running around doing all the fault work and all the maintenance and all those sorts of things. And we had a number of appliance stores” (Coach Marketing/Project Team).

5.22.2 Organization Structure and Culture

As a result the HEPB structure, mirroring the industry archetype, “was very hierarchical” (Coach Sales/Project Team) and “quite a bureaucratic environment used to exist” (CEO).

“You came from a background where you were indoctrinated at different levels. You were a worker and you had your boss and the big CEO sat at the top” (Coach Network Team).

As a result of the strongly embedded strategic and structural norms the culture of the HEPB was also aligned with the electricity industry archetype. Conforming to the traditions associated with the industry and the recognition of hierarchy, the CEO of the HEPB had grown up through the organization.

“The old chief executive had started work in the company when he was 16 and had come through the ranks and had been in a variety of roles” (Coach Marketing/Project Team).

With no requirement to introduce significant change, management maintained the status quo. As seen in other EPBs, this stability encouraged the development of a divide between administration (‘management’) and network management (‘workers’) staff. The culture that emerged was adversarial

between the two groups, with the engineering culture dominating the organization.

"You had people in finance know about finance but they knew damn all about the business let alone engineering and vice versa" (CEO). "You had very much the focus of accounting on one side of the business, engineering on the other side of the business not much talking to each other. You get to meetings where you had a clash of heads just because it's generally an engineering or accounting problem and no one would find the happy bit in the middle. Power companies in the past have always been for whatever reason very much accounting focused for the management and sort of engineering to the other side" (Coach Sales/Project Team). "The office and the depot had two annual separate social functions they were entirely different. The office staff went to some local ball and all got dressed up and the other guys had it around the department. It was almost like two separate organizations" (Coach Network Team).

With no competitive pressures for change and little concern for efficiency over effectiveness performance accountability was seen in retrospect as non-existent.

"I could have sat there for six months in my office and not done anything that's the way it was really" (Coach Marketing/Project Team)

With little accountability and few performance objectives the archetypal job for life mentality was well entrenched, with few formalised procedures and knowledge internalised to ensure job security.

"It was very much the old power board days or government business 'do as you please type attitude' the old government job for life and why should I change type of thing" (Coach Sales/Project Team). "There were unwritten processes in place, for example things that had to happen before you could have an outage and they weren't written down but they were included as part of an unwritten network controllers training if you like. You were just expected to know it was hand to mouth on the network side" (Coach Network Team). "There were lots of little boxes all around the show and information in lots of people's heads. You often spent two or three days tracking down the right person or the right piece of paper to get the answer" (Coach Project Team).

So too was the culture concerned more with electricity than customer service.

"Our building in Queen Street was old and (had) a myriad of rooms and a bit built on to it but when customers came in to pay their bills. You'd come into the main doors into a main foyer with frosted glass screened across part of it. And you'd come up, push the buzzer

and when somebody thought they should get off their backside they would pull back the frosted glass screen and they would do their business standing there. You'd listen to the way they treated customers and you could hear the arrogance almost 'well you'll do what we tell you and we'll do whatever we damned well like'" (Coach Marketing/Project Team).

The strategic, structural and cultural state of the HEPB was identified as "top down, procedurally driven, externally directed, command and control focused with formal and indirect communication processes" (EY Report), summed up well by one organizational member.

"It was like stepping back 20 years into a government department. It was very much strictly ruled and you had ways to do things and they'd been like that for a hundred years so you didn't change it and you didn't step outside the norms" (Coach Project Team).

5.23 Anticipatory Change in the HEPB

5.23.1 Governance Developments

Following the Energy Companies Act (1992) the HEPB was for the first time forced into introducing large-scale organizational change. This started with the creation of a new commercially focused board, established with the assistance of consultants. The membership and approach of the new board was significantly different from the past.

"In the old board days the old farmers used to be on the board. Now the board is very well received by all the team members as they are all well respected business people they've all got their own businesses. And they're very approachable, they'll wander through and sit down and say 'hi'" (Coach Sales/Project Team).

The board's first responsibility was to determine the ownership structure of the HEPB.

"The new board had been appointed and they were starting the process of looking at what they needed to do with the company" (Coach Marketing/Project Team).

The trust structure, the dominant form adopted by New Zealand electricity companies, was selected over other forms such as full privatisation. This form ensured that organizational assets would remain in local ownership and that the business would retain ties with the community.

"The trustees saw it as potentially a very progressive company and why let it slip, let it go" (Coach Network Team). "This (the

organization) *is trust owned so the trust have got a real vested interest in owning assets for (the benefit of) customers" (Coach Marketing/Project Team). "The trust will not entertain selling" (Coach Project Team). "The trustees have been very focused on the local ownership type role" (CEO).*

On 7 April 1993 the Horowhenua Energy Trust (HET) took control and transferred the holdings of the HEPB to Horowhenua Energy Limited (HEL).

5.23.2 A New CEO

With legislation providing the timeline for change the board, concerned that the incumbent GM did not possess the vision, skills and abilities to lead change, sought a new CEO to pilot the corporatisation process.

"It (change) would never have happened with the old CEO, which is why the board pushed him aside. It (change) wouldn't have happened without somebody who had a vision and could bring other people along with him with that vision" (Coach Marketing/Project Team).

With assistance from an employment agency, the board selected an industry outsider experienced in management consulting and information technology development.

"The CEO's background was management consulting and the computer industry in the UK. The board appointed the CEO to see the transition through to a limited liability company" (CEO). "A new CEO was appointed and that was the catalyst for deregulation, and we had to become a company by April 1994" (Coach Project Team).

Employed on a three-year contract, the new CEO's role in the organization was clear.

"The new CEO was put in as change manager by the board" (Coach Marketing/Project Team). "He was brought in as the change agent to make us competitive in the new environment" (Coach Project Team).

His personal style reflected this need.

"He brought the focus to the team of the customer orientation approach. It was very much a one to one style of management. He was a little bit hard to approach but you very much knew where you were. He was very directive of the outcome he wanted and it was up to you to go out and get that outcome." (Coach Sales Team). "He was a great leader and he always managed to convey an idea and share it and get everyone to buy in so it was really charismatic I

guess is a good word" (Coach Project Team). "The right man was appointed for the job because he seemed to have that personality that could reorganize people and they didn't realise they were being reorganized. He had a very firm vision of what the company should be like and he never varied from it, he stuck right to it" (Coach Network Team).

The CEO's first act was the assessment of senior management positions. Subsequently *"all the management positions were advertised" (Coach Project Team)* and all managers were required to reapply for their positions. This process provided the CEO with the opportunity to review and renew the organization's skills base.

"More people were brought in externally (from outside the firm) and expertise such as energy trading that we needed" (Coach Project Team).

With assistance from employment consultants the CEO personally selected individuals from within and outside the organization and industry to fill each senior management position.

"He employed myself and a couple of other people and that really kicked off the business process reengineering exercises to take our electric power board through Horowhenua Energy and now trading as Electra" (Coach Marketing/Project Team). "The CEO appointed the rest of us really to see the transition through to a limited liability company" (CEO).

By July 1993 a new management team was in place. At the same time HEL's CEO embarked on a major rebranding exercise. In a move intended to give the company a fresh new image, HEL rebranded itself Electra. Accompanied by investment in the staff uniforms to create a professional, corporate appearance and publicity through various media of the 'new' business the rebranding process visibly dissociated Electra from the past for both staff and customers.

"When we changed to Electra the image was definitely upgraded and made to look very professional. Frontline staff were made to wear uniforms, that very much created a corporate image rather than the shorts and walk socks brigade" (Coach Project Team).

5.23.3 Strategic Change

Although changes had been made to the former EPB's image and senior management a definitive change strategy had not been determined.

"The organization needed to start looking at marketing and sales focus and a customer focus as opposed to an engineering focus

probably and we knew very well that we had to look at what was our core business” (Coach Marketing/Project Team).

Concurrent with the changes made to senior management the CEO employed consulting firm Ernst and Young (EY) to study the organization and recommend changes that would enable the organization to compete in a deregulated market.

“The management team saw some added value could quite easily be made. So we went through a BPR exercise” (CEO).

In October 1993 EY submitted their final report, recommending that Electra follow a Business Process Reengineering (BPR) methodology to completely revise the structure and in particular the culture of the organization.

“The HEL culture is clearly negative and far from conducive to the attainment of the stretching corporate objectives that are necessary for survival. The extent of the changes suggested is almost overwhelming in magnitude: The reorganization of HEL around 12 major processes with supporting sub-processes, activities and tasks; The introduction of a new team based organizational structure with fluidity in staffing and leadership; A major upgrade of info systems with a range of new applications supporting all areas of the business; The development of a new culture based on rewards for contribution as a team member” (EY Report).

Management embraced the BPR recommendations.

“The company needed this (BPR) to be operated efficiently and effectively. There was a mixed perception about what their power company should be doing and the commercial realities and the environment within which the company operates which had changed fundamentally” (CEO).

The first step in the process was the clarification of strategic objectives. Assisted by EY, Electra’s senior management was encouraged to view the organization through a new lens.

“We started looking at the thing (organization) from a process point of view rather than a strict departmentalised view” (CEO).

The systematic review of Electra’s operation provided senior management the opportunity to gain a clear understanding of the organization’s core competencies.

“We had to look at what was our core business” (Coach Marketing/Project Team). “As a result of that exercise we were able to identify the core business – the lines and energy and focus on processes rather than on the strict finance and engineering and god

knows what else departments we had" (CEO). "There was that focus on core competencies" (Coach Sales/Project Team).

The process of "core" identification enabled Electra's senior management to identify what, how, why and for whom the organization operated.

"We looked at the things that are of strategic importance to the business, our core competencies and what the hell it is we should be doing and campaigning for, trying to throw away some of the flak (non-core aspects) and try and focus" (Coach Marketing/Project Team). "There was that focus on core competencies – which was supply electricity" (Coach Sales Team).

The CEO with support from the board championed the process.

"The chief executive and the board looked at those core things and dragged other people along with them and stuck to their guns and said: 'Look we know we need to do something, we know we need to reduce our costs we need to improve reliability' and focused on those. The CEO acted as an anchor in doing those things with support of the board" (Coach Marketing/Project Team).

From the review process emerged a short, medium and long-term strategic vision for the future of Electra.

"We wanted to be the best power company in the country process and team based – it was written down in the manual" (Coach Network Team).

To achieve this end Electra's management established three immediate objectives; first ensure the provision of a competitive and secure electricity supply; second achieve outstanding management performance; and third create strong financial stability.

"We focused on minimising costs, maximising returns to the maximum allowable for the regulation, very much trying to maximise returns to the shareholder by controlling costs and having pricing set at a level that the regulations will allow" (Coach Network Team).

These short-term objectives were incorporated into a medium term (two year) strategic vision called 'Target '95'. 'Target '95' aimed for Electra to be a *"healthy business, meeting the needs and desires of its owners, satisfying its customers, motivating its employees and safe from predators"* (EY Report). The general concepts of 'Target '95' were transformed into a set of four tangible goals to be achieved by 31 March 1995. These were to:

1. Replace 95% of routine, repetitive activities with automated systems.

2. Be process focused in management and organization of the business.
3. Ensure no less than ten days training per employee per year.
4. Have fewer dissatisfied and more satisfied customers than any other electricity company, with a target of one percent dissatisfied and 20 percent delighted customers (*EY Report*).

"We had a vision something that we were working towards. Target '95 was aiming to get all these (operational) processes in place and have them operating" (Coach Project Team).

Finally Electra's and EY developed a long-term strategic vision called 'Target 2000'. Also referred to as the 'Electra Concept', 'Target 2000' was a radical vision for Electra's future based on the development of advanced operational processes and management competencies associated with the BPR exercise. Based on such organizational developments 'Target 2000' established the vision that Electra could evolve its processes and competencies to exceed international best practice and become a recognised industry leader. By achieving these targets it was envisioned that Electra's management would have the opportunity to expand and grow the business through the provision of advanced asset management services to other electricity companies.

"'Target 2000', which we also called the 'Electra Concept', (meant) we had the vision of going and being able to manage other electricity companies" (Coach Project Team). "We wanted to promote what we call the 'Electra Concept' which was (saying) 'You don't need to worry about change of ownership, you don't need to worry about all your governance type issues they can all stay right where they are. Let us come in and manage the companies for you'" (CEO).

With the documentation of a growth vision and strategy based on customer satisfaction, the management of Electra embarked on the process of structural and cultural change recommended by EY.

"We had a goal, we knew where we wanted to be, we wanted to get there and achieve it and we just did it (change) as fast as we could" (Coach Project Team).

5.23.4 Structural Change

The structural change process in Electra was a highly ordered affair that closely adhered to EY's recommendations, focusing on actions that *"could be implemented within four to eight weeks, were based on the existing structure*

and would introduce a team based approach to Electra” (EY report). The organization was split apart to create specialised network, contracting, electricity retail and appliance sales businesses.

“We started looking at the thing from a process point of view rather than a strict departmentalised view. As a result of that we did some pretty straightforward but quite fundamental things. We split the business into four and created separate structures for each” (CEO).

As a ‘non-core’ division, appliance retailing was corporately separated from Electra’s operation. Uncompetitive as a regional business, management entered into a joint venture with a larger national retail chain. This provided the catalyst for the businesses’ eventual divestment in 1996.

“Our appliance retailing went into a joint venture with somebody who actually knew something about appliance retailing and we subsequently exited that business. It was not core business. There’s more than adequate competition in appliance retailing. The rationale for setting it up many years ago was to promote the use of electricity appliances and the reason for that is long gone. The national chains and the bulk buying and bulk advertising just passed the electricity industry” (CEO). “We knew very well that we had to look at what was our core business which is why we took the appliance stores and sold them” (Coach Marketing/Project Team).

Similarly the previously coupled contracting (network maintenance) and network management aspects of Electra were separated with the new contracting division given the title construction and maintenance.

“The first part was to split that (contracting) business and put up a manager in there that was actually (going to) manage that business away from the planning side of (network management). So a practical operation side of the business was split off under a another manager but still part of Electra and that was the first step to change” (Coach Marketing/Project Team). “The old (contracting) depot became what was called construction and maintenance” (Coach Sales/Project Team).

Further, an electricity marketing and customer management function was created, a process function that was identified by the EY report as an area of emerging importance.

“Then he (the CEO) set up the sales team and the account management team and away we went” (Coach Sales/Project Team). “We knew (that) we needed to have a marketing focus” (Coach marketing/Project Team).

All 'non-core' functions such as pole manufacturing, ground keeping and "everything else has been out-sourced" (CEO) resulting in the reduction of levels of hierarchy and several redundancies. Associated with corporate separation was the relocation of Electra's core management and operational staff to a new headquarters. A new smaller facility was located that allowed the CEO to reshape the working environment to create an open plan workspace designed to combat the traditional closed-door culture.

"We used to have about 200 people and all of a sudden we were down to 40 something at that stage and walls came down to make it (the office space) open plan" (Coach Project Team). "We decided we'd go to open plan. So we moved to this building, chucked down a few walls stuck the CEO in the middle of the room and the rest of us around him – it took a while to get used to" (Coach Marketing/Project Team). "All the walls in the office were knocked down so people couldn't hide in their offices because there were none there were just desks. Now we've got little dividers (with cells) seating four people, but (back) then those walls were totally knocked down there was no dividers (and the) CEO sat in the far corner" (Coach Network Team).

The CEO's implementation of an open plan office structure assisted in the formation of cross-functional process teams recommended by EY. Each staff member was appointed to at least one of seven 'key skill groups'; technical operations, technical trades, network design, planning and analysis, customer contact, clerical and administration, management.

"They (EY and senior management) identified all their processes. From that they put teams around those processes so you weren't aligning tasks with people you were aligning the people with the process. That was quite unique. That just made it more fluid, more dynamic I think than it possibly could be otherwise" (Company Secretary/Support Operations).

These skill groups focused on meeting customer demands in four core business processes (task management, sales and service, resourcing and infrastructure) identified by EY based on attitudinal requirements. This structural configuration allowed the senior management of Electra to form five-member cross-functional project teams able to address specific problems from an organizational perspective. Team formation was a democratic process with one team member elected to the position of team coach (leader) depending on the specific process skills and knowledge required.

"We became a team concept whereby we had coaches and team members and we moved in and out of teams for specific jobs. Once we were put into the process teams there was a coach appointed to an area and we went from departmental managers to multi-skilled and intermingled teams. The operational area and people (in it) was your home base with a coach. But then you didn't spend much time there, there were so many other projects happening at the same time. A project captain was appointed to that (project) and would select the (project) team so people would be drawn from all different areas and any team that you were on you'd have to have a cross pollination of people" (Coach Project Team). "We have revolutions where people interchange between teams so the idea was people multi-skilled enough so they could do and processes were documented well enough that people could interchange quite freely" (Company Secretary/Support Operations).

The open-plan office arrangement encouraged open communication and the development of a more responsive organization as teams could be formed to address problems quickly both in a structural and physical form.

"The open plan environment that we've got down there (means that) you hear a lot of the conversation you can either dial in or out of conversations - that's not eaves dropping it's very open. And because we've all got the same type of desk type of environment - my desk is no different to anybody else's and my PC's no different to anyone else's either - it means that we can be very flexible" (CEO).

5.23.5 Cultural Change

The development of the open-plan facility and the structural reconfiguration of the organization along process lines radically challenged the cultural norms traditionally associated with the old EPB. The open-plan environment aimed to break down the entrenched barriers (hierarchical, physical and social) to organizational communication, development and change identified by EY as preventing Electra from meeting customer expectations.

"It was totally open plan. (However) at first in that corner there was the CEO and his second in command and his secretary and over there was all the engineers. So to break that down they (CEO and senior management) shuffled up as in (that is) made people sit amongst other people even to the fact that the lowest people sat in the CEO's group. That really broke down the barriers and social levels within the office" (Coach Network Team). "Every cell got someone from each group. You might have sales, one from engineering, accounting so you got that cross-section. Then everybody understands how the business works and there are no secrets then, whereas before you might have a sales team hidden

in an office somewhere and accounting somewhere else you never get to see anyone else” (Coach Sales Team).

Initially the process-team and open-plan reconfiguration met with some resistance as some staff tried to erect physical barriers to replicate traditional and task orientated offices.

“Those that had been in the office and used to having their own offices and own secretaries did not like it (open-plan) one little bit and tried to push themselves separate in the open-plan” (Coach Network Team).

Those unwilling or unable to accept the deconstruction of tasks into process areas – in particular historic managers and administrators – were especially resistant to change as their hierarchical power base was removed. This resulted in several redundancies.

“Some people just didn’t want to change or just couldn’t handle change and couldn’t see how the organization could possibly exist without them doing their particular task. I thought that way myself, and you’d say ‘That can’t possibly happen it will fall apart’. But its just a change in attitude. Some people by themselves worked through that process and got around it. But people who didn’t help us originally were task orientated in billing or something and never got out of that (mindset that) they had to complete this task otherwise the world will fall apart. They were the ones that tended to be made redundant you just couldn’t change them” (Coach Network Team). “He (CEO) got rid of a lot of the historical departmental managers. One of the things that I noticed most was he got rid of the checkers who checked the checkers and flattened the structure. Ultimately some of the people that were constantly negative were made redundant” (Coach Project Team).

Redundancies came as a shock to the organization traditionally a provider of life-long employment. Those most opposed to change either left or found themselves asked to leave.

“(There was) anything from outright aggression from the old school guys who had been here from college, 20 or 30 years. They did not want to see the change, couldn’t handle the change and the first option at redundancy they took it whether they were pushed or whether they were invited to take it. But they just weren’t going to change their focus, the old government job for life and why should I change type of thing. That attitude ranged right through to some of the younger (employees). It took a bit of time for that change to happen so (the response was) anything from embracing it fully with arms out wide type thing to outright hating it. But at the end you have to get rid of dead wood had to get rid of the people that

weren't going to change and go on from there and its worked"
(Coach Sales/Project Team).

As the team structure developed and those resistant to change departed cultural acceptance of the new structural configuration grew.

"People started seeing the sense of it (the team structure). You didn't have to make an appointment to go and see a guy, he might be sitting on the other side of the desk and you could ask him or get up and walk to the other side of the office. But people worked together as a team and the whole place seemed to gel a lot better. People became interested in what other people were doing there was no ulterior motive they were just interested to see how other parts of the business worked" (Coach Network Team).

Those that remained with Electra were assisted through the organizational/cultural change process with the introduction of processes focused on the alignment and enhancement of individual competencies with the demands of process areas. Aptitude testing implemented at all levels of the organization allowed the organization to audit, assess and align individual competencies with various organizational roles.

"We did aptitude testing in terms of whether they (employees) made good managers, identified the best and took them" (Coach Marketing/Project Team).

Significant investment was made in establishing an ongoing training and development programme to ensure that individuals developed the ability, confidence and culture to allow full participation in Electra's change process.

"We gave a whole lot of training, from simple things like a couple of day course to do customer service training to technical training of those people in all the IT processes. We used a number of local agencies (and) it didn't all happen at once. We'd do a little bit of training and then do some more. We were focusing on service excellence through training of staff and making sure we had the systems in place and the processes to improve that as well it sounds bloody easy but it didn't happen overnight" (Coach Marketing/Project Team). *"There was a lot of training we had a lot of training on the sorts of questions customers would be asking and training about the electricity industry"* (Coach Project Team).

Less formal 'on-the-job' learning, associated with cross-functional team interaction, reinforced the formal training process and enhanced the development of cultural change.

"People unconsciously learned what their neighbour was doing. If someone was away it wasn't dramatic, you just carried on anyway and did two jobs for a day. That started the break down of individuals into teams and was a good way of doing it when you look back, but not at the time especially when you came from a background where you were indoctrinated at different levels (of hierarchy)" (Coach Network Team). "It was great because all of a sudden you were talking and working with people that you hadn't clapped eyes on before. You might have seen them at the tea table or you know passed in the hall but all of a sudden people became human to me and people to work with it was great. There was a lot more communication and sharing cellblocks with people we hadn't worked with before or shared accommodation with before. You certainly become more aware of things that were happening in the organization" (Coach Project Team).

Cultural change was further stimulated 'on-the-job' through a policy introduced by the CEO that required all Electra staff to work in the customer services department, in particular answering customer telephone inquiries.

"Everybody was given one day a month answering the customer inquiries on the phones. Everyone did it CEO included" (Coach Project Team).

This awoke the wider organization to the specific concerns and demands associated with exceptional customer service, a considerable break from the past where electricity consumers were asked only to pay monthly accounts.

"That was a very radical move. Everyone that had been sitting quietly in a back office all of a sudden had to learn how the customer information system worked and how you found your way around it and what customers might ask and how you might deal with angry customers. That's one of the moves that I most strongly resisted as you can imagine it was a real change. It really helped everybody focus on what we were there for. We were there to focus on the customers, it really made us concentrate on what we were there for, focus on our priorities. That was the start of the real (customer) focus and the good name that Electra got for quality service to customers" (Coach Project Team).

Cultural change was reinforced through the development of formal performance appraisal policies. Unlike traditional length-of-service based pay rises Electra's management introduced quarterly performance reviews. These were based on the evaluation of individual and group achievement in relation to documented goals and objectives established at the beginning of the quarter. Overseen by team coaches, the documented process provided a channel for each team

member to objectively review strengths and weaknesses, scrutinise performance at the group and individual level, refocus and record personal objectives and set personal goals.

"Every four months we stop the organization go through a performance review process. The coach will review the team member's performance. Everybody does it slightly differently we get the person (under review) to fill out the pre-printed form that has got the objectives we both agreed at the end of the previous review, how they thought they went. And then we sit down and talk about it and set the objectives of the next cycle. To me it's not one person dictating to the other and beating them over the head if they've got things right or wrong, but suggesting things for improvement and documenting what it is that's expected and how you've gone. That documentation, without getting too pedantic, is really important. It's very easy to say 'Well no I didn't say that' or 'This isn't quite what I meant'. It (documentation) encourages objectivity and allows you to thrash out exactly what it is you're doing and what you should be doing or would like to be doing. That allows us (to gain a) clear focus on what it is we want to do and also allows team members to refocus on their personal objectives. So (we look at) how the business is going, the business plan, the persons own aspirations and (ask) how do we keep continually melding the two together. That's quite powerful" (CEO).

In conjunction with the formal appraisal system an informal reward policy was developed. Initiated by the CEO following EY recommendations, informal rewards paid light-hearted but public recognition to individuals that made exceptional contributions to the development or operation of the organization or team. The informal, social nature of the reward programme was seen to encourage personal contribution to and ownership of the organizational achievements, breaking the traditional 'command-and-control' hierarchical mindset. This in turn strengthened the team culture and reduced resistance to change.

"We made examples of them (exceptional achievers). We've got a reward system where you could give each other (team members) awards. There were three sets: TAs – thanks for being amazing; BAs – bloody amazing; and an MBA – most bloody amazing. So if you're on my team and you've done a good job I'd give an award. We give people gifts, a bottle of wine or a basket of goodies. At the team briefing every month all awards that had been given you posted on the notice board. And at the team briefing the person who the CEO and everybody feels has made the most contribution to the company gets an MBA and dinner for two wherever you like whenever you like. That was introduced by (the CEO), it's a good

team building thing and meant people were prepared to say 'This has got to change' or 'This isn't working' and come up with an answer" (Coach Project Team).

Financial incentives were purposefully avoided. Rather positive reinforcement through the quarterly review process, investment in staff training and development and personal empowerment were utilised as a means to focus individuals on the positive effects of change.

"We do have a bonus system, but bonus systems at the best of times are somewhat objective. Even using the four-month review period we tie that to bonus and performance payments it's still relatively subjective. The way to achieve things is actually just saying to people 'Look you're valued here, we respect what you are, we respect what you do, get on and do it and your job satisfaction should improve'" (CEO). "They (staff) were given a lot of training and encouragement and empowerment was the big word as you can imagine and it worked really well" (Coach Project Team).

Fundamental to the cultural change process was the CEO's trust in the abilities of his staff.

"(The CEO) said that it was OK to try something and make a mistake and then say you're sorry and work out how to fix it. He preferred that much more than having somebody sit back and be worried about making a mistake and never try anything. So he really gave us the opportunity to if you're brave enough get in and make it (change) happen" (Coach Project Team).

In a period of just over a year the culture was seen to have fundamentally transformed and was recognised by new employees as unique to the New Zealand electricity industry.

"(The transition from bureaucracy to teams) realistically took twelve to eighteen months. But there were so many things that were going on that people could actually see change. Again the feedback we used to do the reviews every three months, people could actually see the change they could measure the change. And we put systems in place that allowed them to measure the change, it may sound really trite but if you can't measure you can't do it" (CEO). "This organization's got such a strong culture of its own that it's very distinguishable from other companies. Quite different from anywhere else that I've worked in the fact that the team set up and nothing's accepted so someone puts a proposal forward it's generally challenged" (Company Secretary/Support Operations). "People did change noticeably. Pride is the name I would use, pride in the company and our achievements. We were given good feedback from customers and there was definitely pride in where

you worked. Up until then I was very loath to say that I worked at Horowhenua Energy and the power board. And we had a vision something that we were working towards" (Coach Project Team).

Concurrent with the process of structural and cultural redevelopment, Electra's senior management invested considerable resources in the standardisation of operational processes and development of infrastructural support systems. In the first instance experts in process documentation were engaged to train a process team in the methods of capturing organizational processes. Electra's documentation team then carefully analysed tasks within each process area to compose a standard policy manual, the entire process taking less than a year to complete.

"Documentation specialists were brought in to train people. And then there was a specific documentation team set up that went around and talked to people about all the different processes and did documentation of the processes specific to Electra. Then it was handed on to operational areas and it was their responsibility to maintain the documentation" (Coach Project Team).

The documentation process fundamentally destroyed the hierarchical power structure and culture upon which EPBs rested.

"The CEO of the time said to me he was determined to get the control functions out from under the final technicians. He said he felt at the time of major change that the technicians held the sway of power if you like. They held all the knowledge of how the company network ran and he really wanted to get that written down" (Coach Network Team).

The creation of standard and freely available references to operational task procedures meant that individuals were forced to share and allow all organization team members access to internalised knowledge.

"That was received not very well by some. Like anything else there is a bit of pride in what you know and job security basically. That was overcome by gentle persuasion and leaning hard on people. If they (resistant staff) didn't play the game then (it was) 'Sorry guys – good bye'. The indication was always there that if you didn't go with the flow the outcome for any particular individual was if you didn't play the game they'd (management) find some incentive or let you go. For a couple of years it was pretty rugged" (Coach Network Team).

Despite resistance the documentation process went on to provide teams with the ability to review operational procedures, standardise procedures and develop improved operational policies.

"It (the documentation process) allowed us to review what we did and keep improving from it. It certainly helped in training and bringing new people on board was much easier as they didn't have to learn by osmosis, everything was written down step by step" (Coach Project Team). "Processes were documented well enough that people could interchange (roles) quite freely" (Company Secretary/Support Operations) "It was good for everybody because you learnt personally where things were missing, there were gaps in the information where you thought you knew but actually didn't. Everybody did the same task in the same way it got everybody into process mode if you like instead of going off on a tangent and doing things individually. The process is written down if there isn't a process then create one we're encouraged to write things down. Its probably cost them the earth to do it (the documentation) but in theory you can pick up a manual and if you want to know how to apply for an outage it's all written down, you just follow the steps" (Coach Network Team).

The documentation process also stimulated growth and development by providing Electra's management with the ability to effectively benchmark operational and customer service procedures against those implemented in other progressive organizations, not necessarily those in the electricity sector.

"Some of the companies we try to benchmark against we've tried to get exchange of information or have exchanged information in systems. Power New Zealand, their maintenance systems and practices are really good so we try to talk with them and learn from them" (CEO). "We refined the processes that we have and try to benchmark ourselves against not only local power companies but also companies that are delivering frontline service because we don't believe that other power companies are the right people to benchmark ourselves against" (Coach Marketing/Project Team). "You've got to look at your Telecoms and some of your fuel (companies) like Caltex are good, Air New Zealand, Telecom, Clear's. People went and visited quite a few of those just to get some information" (Coach Sales Team).

Significant investment in the development of a computer-based information database to assist in process streamlining was also associated with the documentation process. In early 1994 a Local Area Network (LAN) was installed, linking all Electra staff to a central customer and network information backbone.

"One of the big things was we put in a corporate LAN and made all the information in the place (organization) available to everyone in the company, apart from confidential things like human resource files and anything that was strategically confidential. Just being able to have the customer information available on your desk or the network records through the NIM (Network Information and Management) system. One of the big drivers of the project was that everyone would be able to dial up on the network and view the information any time they wanted to advise customers which was quite a different strategy compared to what we had before" (Coach Project Team). "We had computers installed on a common LAN and if you wanted to look up something then it was usually on the LAN you could find it" (Network Manager).

The development of this new centralised communication tool removed barriers to information access and provided all Electra staff with the ability to monitor organizational performance, disseminate information and address operational problems in real time. A significant consequence of this was improved performance and the ability to track real operational costs for the first time.

"You could focus on the planning, the strategic issues and how can we get down our costs. They can now focus on putting together the asset management plan, having those listed and making sure that they get done. So that was driving down our maintenance costs, improving our reliability making sure we had the systems in place and the processes to improve that" (Coach Marketing/Project Team).

At the same time the customer accounts system was integrated with the network monitoring system, allowing Electra to develop a centralized customer call centre. Called 'ServiceLine' and staffed with specially trained personnel, the call centre became the primary customer/staff interface, providing customers with an avenue to quickly access information and staff the opportunity to assess public perception of the organization.

"We put the information that a customer might ask about in front of the person answering the phones so that you just did away with having to transfer calls and those sort of things. So simplifying (processes) and making sure that people actually had the information to do the job right in front of them" (CEO). "The focus was to not only change the way we did things through systems and processes but provide them (customers) support. So if they (call centre staff) were talking to a customer and had stuff (information) on screen they could answer on the spot instead of having to ring up and get passed from pillar to post until they (customers) got the right person. We put as much information on screen as possible and they became customer service reps instead of account clerks.

We also gave them training with the IT system the Generation-Track system that was developed so 90 to 95 percent of the calls could be answered first off. We also brought the control centre into the office so that it was in our call centre so they (call centre staff) knew what was going on. Our objective was customer service" (Coach Marketing/Sales).

To further enhance customer awareness, support and loyalty the marketing team established regular customer newsletters and an accredited business partner scheme that offered a range of discounted and endorsed products and services. Public support for and awareness of the benefits of change was also encouraged through the introduction of a price discount scheme.

"We returned our profit or surpluses by way of discount. Some people were saying 'Why don't you just reduce your price'? We did not do that for the simple reason that it's (discounting) a powerful indicator that you're doing something right in the business and our customers have been able to see that. By returning money to them by way of discount on the power account they see this company is doing something for them, it's doing well and that's a powerful influence particularly in the way customers perceive the company, they perceive it very positively" (Coach Marketing/Project Team).

5.24 Reactive Change in ELL

Following eighteen months of continuous and radical reconfiguration the 'Target '95' March deadline arrived. At that stage Electra's management considered the organization as an industry leader prepared for the demands of a competitive operating environment.

"It (change) was about acknowledging we had to lower our costs which we did, we had to improve our customer service which we did, we had to focus on reliability which we did. We got those things right and benchmarked ourselves against others done pretty damned well" (Coach Marketing/Project Team). "We realised we were one of the leaders" (Coach Project Team). "It's a power company that if not at the top is near the top as a power company or network management company" (Coach Network Team).

The organization's size was seen to be particularly influential in allowing the rapid implementation of change.

"We've been able to be nimble and flexible, a lot more so than some of the big companies like Mercury. It's like turning an ocean liner compared to turning a speed-boat. The reengineering and the restructuring of the company was able to be completed in a relatively short period of time because of the size of us. We could throw it up in the air and reshuffle it. If we'd been working with

five or six hundred people it would have been quite different” (Coach Project Team).

Having refined internal processes and policies to what was seen as industry ‘best-practice’, Electra’s senior management turned their attention outwards to focus on maintaining the impetus for change by focusing on achieving the growth and economies of scale targets envisioned by the ‘Electra Concept’ and ‘Target 2000’.

“Having cleaned up the ‘back-yard’ we went out and talked with other companies as to whether or not we could offer our management services to those companies” (CEO). “Because we’d been through all of the changes that we’d been through we had got our costs our overheads down to a very good level for 36000 customers. We knew that if you’re looking at customer service, if you’re looking at the IT systems, the call centre, management billing and metering it’s all about economies of scale and we knew that we wanted to position ourselves for the future we had to grow” (Coach Marketing/Project Team). “There was the threat of others catching up. So we were not sitting back on our achievements and thinking we got there” (Coach Project Team).

Electra actively sought to establish partnerships with several neighbouring electricity companies, *“basically every company in the lower North Island and a few in the top of the South Island” (CEO)*, selling the operational and financial gains associated with utilising Electra’s change and asset management services.

“Basically (we were) relying on the improvement that the statistics and the key performance indicators that we had. We went out to a number of trust owned companies and said ‘Hey look we’d like to promote what we call the Electra Concept’” (CEO).

Initial interest in the philosophy and strategic gains associated with the ‘Electra Concept’ was high.

“We had quite a few people visit and come and look at what we’ve done and you could see they went away very thoughtful” (Coach Network Team). “It was successful to the point where people seriously contemplated it” (CEO). “Electra’s been out in the forefront for the last four or five years. A lot of them (electricity companies) have been following us rather than us following them. Electra seems to be well thought of in the electricity industry” (Coach Sales Team).

Early progress was secured with the successful formation of a retail electricity-purchasing collective that provided all participants with the scale necessary for discount electricity purchasing.

"We got together in a club environment and set up a company called 'PowerBuy' in the wholesale energy market. That was a subset of the Electra concept. It (PowerBuy) was half a dozen power companies scattered throughout the country all buying their power in the wholesale market from that source" (CEO).

5.24.1 Strategic Change

However by the end of 1995 it emerged that the operating environment was not about to change as quickly or as radically as anticipated by Electra's management and potential partners rejected the 'Electra Concept'. Despite acknowledging the potential benefits of the approach, Electra's management philosophy was perceived by others to be a threat to organizational self-determination and potentially ownership, employees and income.

"Trusts have got a real vested interest in owning assets and customers and end users" (Coach Marketing Team).

Citing the lack of radical environmental change and the dominance of the trust structure, Electra's management found that managers, organizations and the wider industry were neither prepared nor compelled to implement change.

"As we got along trust ownership and a few other things (meant) change wasn't happening as fast as it think perhaps the board plus the management team had anticipated. The barrier was local ownership and local management – the trust owned structures is a significant barrier to that (Electra's management of assets) happening. They (other power companies) could see the benefits of it but didn't want to go through the cost of restructuring, or more importantly be seen to be laying off people in their local area because somebody else from 'outside' was coming into manage their power company" (CEO). "We learned that you can't just come along with a good story and people will accept it. If the company doesn't recognise the need to have that (change) then you're not going to be successful. I think what we were trying to do the electricity industry at the time probably didn't believe that these things needed to happen and the government hadn't made it happen and it hasn't. It just wasn't quite the time we were just a bit ahead of our time" (Coach Marketing/Project Team).

With the 'Electra Concept' rejected, management withdrew from promoting the asset management approach and moved to protect sources of competitive advantage.

"At first a lot of companies invited themselves to come through and see what we were doing which we did, and then thought hang on we're giving away secrets so stopped it that's the only competitive advantage that we've got" (Coach Sales Team).

With the poor response to the 'Electra Concept', Electra's management refocused on 'Target 2000' strategies concerned with the evolution of processes and competencies to exceed international best practice and become a recognised industry leader.

5.24.2 A Second CEO

The beginning of 1996 also marked the departure of the CEO, whose three-year contract came to an end.

"He had a three year contract and at the end of three years he got offered a partnership back at Ernst and Young. He's restructuring another company in the communication field so he's the type of guy who gets out and does process change" (Coach Sales Team).

The search for a leader who could carry on the Electra's development in a compatible and similar manner began. In mid 1996 the former chief financial officer was appointed to the CEO position. Employed as part of the change management team in 1992, the new CEO was intimately familiar with the changes that had swept through Electra and was committed to seeing the continuation of the momentum for change.

"(The new CEO) who took over continued with the direction. He knew what the hell they (strategies) were about and what to focus on – the real things, the core business what our core competencies were or needed to be and building the support of the board" (Coach Marketing/Project Team).

The new CEO's personal style was slightly different from his predecessor', but the focus on quality and continuous improvement remained.

"Both CEO's have acted as an anchor in doing those things (change)" (Coach Marketing/Project Team). "He set the strategic direction, he's the co-ordinator of all the teams and the liaison between the board and the trustees and (is) probably one of the more lateral thinkers, very important" (Company Secretary/Support Operations). "He's a lot more approachable" (Coach Sales Team).

5.24.3 Structural Change

The extent of structural change in Electra altered in reaction to the defensive stance taken by the wider industry and followed an evolutionary path. In late

1996 the contracting arm of Electra was fully corporately separated as 'LINEwork'. Having separated the operational areas as construction and maintenance several years earlier this was not regarded as a significant structural change.

"We set up another company called LINEwork Limited which held our construction and maintenance business. We set that up totally stand alone business other than at board level where the board comprises two of the Electra board plus the chief executive" (CEO). "It was always operated separately anyway so there was no big deal – just appoint someone to run it (a) CEO and critical staff and send them on their way" (Coach Network Team).

The motivation for corporate separation was to capitalise on the financial and competitive opportunities that contracting presented in the operating environment. Contracting had emerged as one of the few areas where effective competition had developed in the industry. This provided Electra's management the opportunity to fully separate asset management from asset maintenance and reduced network maintenance and construction costs through the introduction of contestability.

"LINEworks is still owned by Horowhenua Energy Limited but independent, and they are free to go and seek other business and also to do some of our contracting our maintenance and capital works those sorts of things. But they don't necessarily get a hundred percent of Electra's business" (Coach Marketing/Project Team). "They still had the majority of the business from the parent company and they still do (but) that gets less and less" (Coach Network Team)

Having implemented significant change with 'Target '95' ("they had to go through the same process of reorganization" (Coach Network Team) 'LINEwork' sought and gained ISO accreditation, providing the organization with the ability to tender for work outside the traditional franchise area based on proven operational standards. Despite the advanced systems and procedures implemented with 'LINEwork', the financial stresses of competition forced the new organization to issue redundancies.

"The driver was return on assets so you got to the stage where the only way you to increase any return is to shed people. That was devastating for some, real devastating for some of those who were left behind that suddenly found they were expected to carry on" (Coach Network Team).

Corporately isolated from this process, the cultural ramifications for Electra were minimised. With the separation of 'LINEwork' from Electra, the management core reduced "down to about 18" (CEO), "we went through huge change in the numbers that they dropped off with the splitting of LINEworks" (Company Secretary/Support Operations).

5.24.4 Cultural Change

As the government signalled the potential for the separation of electricity network and retail functions in 1997, those that remained with Electra focused on the continuous refinement of the management support infrastructure to provide an exceptional electricity retailing, asset management and customer service. While the industry remained entrenched, impetus for the maintenance of a culture seeking continuous change was maintained through continuous external benchmarking, and in particular participation in national management and service excellent competitions.

"We went into national quality wards and service excellence awards (like) the Arthur Andersen service excellence awards to test ourselves against other benchmarks better benchmarks. We were up against all sorts of companies in the Arthur Andersen and the other quality awards from ASB Bank to Caltex and all those sort of organizations in the business of delivering customer service. That was extremely important because it forces me to look at yourself and how well you're going in order to make the application in the first place. So you have to make sure your systems and processes are documented they were anyway and it's good feedback for staff great feedback for staff" (Coach Marketing/Project Team).

In 1998 Electra met with success when it won the Arthur Andersen national award for service excellence. This recognised Electra for exceptional business performance finding that "the service was effective and in some cases brilliant and Electra was ahead of all benchmarks for other New Zealand electricity companies" (Electra Annual Review, June 1998). The award reinforced to Electra's team that they were meeting their vision of leadership in their field.

5.24.5 Strategy Revisited

By 1998 the environment was slowly changing. The government's increasing demands for reformation of the industry resulted in the introduction of the Electricity Industry Reform Act, forcing ownership separation of electricity network and retail businesses. This forced the industry to change and provided

Electra's management with the opportunity to sell their management competencies and the 'Electra Concept' to other organizations. A major step towards the realisation of this strategy was taken in 1998 when Electra capitalised on call centre and technological competencies that had been developed and entered into a joint venture.

"We put a joint venture together between ourselves and Tasman Energy. The joint venture was called Javelin and it does all the billing telephone answering remittance processing and credit control for the organization. The javelin thing really is a subset of the Electra Concept" (CEO).

Promoted as a way to minimise administration and customer costs through scale effects, Javelin was seen as the first move towards Electra becoming an asset management company in as envisioned by the CEO six years earlier.

"Javelin was the same sort of concept (as the 'Electra Concept') but only in a partial form so we still thought we could do it" (Coach Project Team).

5.24.6 Attributes of Electra's Change Process

The change process in Electra is one of transformational change in reaction to environmental developments. Concern with maintaining ownership of the organization's assets and long term income stream, Electra's board initiated the change process by hiring a CEO with the competence for the implementation of radical strategic, structural and cultural reconfiguration. Aligned at this top level, the board remained aware of, but unlike its predecessor exercised no control over, the change process. Driven by the CEO, Electra's senior management was completely renewed to provide Electra with the skills and abilities necessary for the implementation of change. Electra's size and urban location meant facilitated access to a skilled labour pool. With strong leadership embedded it became possible to develop a change strategy. Fundamental to this process was the employment of professional change management consultants. With an objective approach the consultants provided a new perspective and strategic focus for the organization, which fundamentally changed the structure and culture of the former EPB.

Chapter Six

Cross Case Comparison

6.1 Introduction

This chapter compares the process of organizational change implemented in each of the seven electricity companies. Although legislation provided the trigger for change and despite each organization beginning the change process with the strategic, structural and cultural norms of the traditional operating archetype, two distinctly different change types – or clusters – emerged. While three of the organizations adapted to environmental shifts and followed an incremental change path departing only slightly from the traditional archetype, the remainder followed a discontinuous path reorienting their strategy, structure and culture to align with the values of a new archetype.

In support of extant organizational change theory (Pfeffer and Salancik, 1978; Burrell and Morgan, 1979; Donaldson, 1995) environmental change was the primary trigger for organizational change (Burns and Stalker, 1961; Thompson, 1967; Isabella, 1992). The choice of ownership and governance structures mediated the influence of deregulation on organizational change. The data provide strong evidence that this strategic choice and the degree of organizational change was a function of how embedded and aligned the values of organizational managers and owners were with the norms of the traditional electricity archetype, supporting the theories of Greenwood and Hinings (1988, 1993). I propose that the values of the immediate operating context, environment or ‘community’ influenced the process of organizational change in the seven electricity companies. The strength of ‘community’ values and the extent to which they were shared by owners/managers influenced the consideration, acceptance and implementation of a new design archetype, determining the extent and nature of organizational change. This thesis proposes that the nature and scope of organizational change is mediated by ownership and governance structures, which are shaped by community and institutional norms.

6.2 The Electricity Archetype and Trigger for Change

Contributors in each of the organizations that participated in this research made reference to the traditional strategy, structure, values and norms that had

dominated the electricity industry prior to deregulation. Referred to by many respondents as the 'good old days', this institutionalised configuration was identified as the traditional electricity industry archetype.

The traditional electricity archetype was a uniquely discernible configuration of strategy, structure and culture that dominated each of the case studies before deregulation. In support of Greenwood and Hinings (1993), the development and convergence towards this one 'legitimate' archetype can be directly attributed to the normative and coercive forces that dominated the institutional environment (Fligstein, 1996). In each of the cases fundamental strategic components that defined the operation – purpose, domains of operation and criteria for evaluation (Schein, 1985) – were determined and reinforced by the certainty of an environment supported by the policies of successive central governments. This central and externally driven strategy remained unchanged for over sixty years and resulted in the institutionalisation of policies (strategy) and principles (structure) of organizing that corresponded with the traditional Weberian construct (Edelman and Suchman, 1997; Greenwood and Hinings, 1993; Carroll, Delacroix and Goodstein, 1988; Schein, 1985; Thompson, 1967). In operational terms, this manifested itself in each of the seven participating organizations as a bureaucratic, hierarchical and highly complex task orientated structure often ascribed to government departments. The nature of the operating environment also had a profound effect on the culture of each of the organizations. What emerged was a 'job for life' mentality and a shared 'electricity brotherhood', based on a culture of engineering where a sense of personal pride and achievement was associated with excellence in the development of the electricity infrastructure. Based on the strategic, structural and cultural characteristics evident in this research and defined as the electricity archetype, it is possible to utilise the organizational typology developed by Miles and Snow (1978: 5) and categorise each organization based on the "patterns of adaptive behaviour" as a 'defender' prior to deregulation.

"Defenders are organizations which have narrow product domains. Top managers in this type of organization are highly expert in their organization's limited area of operation but do not tend to search outside of their domains for new opportunities. As a result of this

narrow focus, these organizations seldom need to make major adjustments in their technology, structure or methods of operation. Instead they devote primary attention to improving the efficiency of their existing operation" (Miles and Snow, 1978:29).

However, it is necessary to modify slightly the concept of defender in the context of the New Zealand electricity industry. As protected monopolies electricity companies were not compelled to invest in aggressive strategies to protect the organization from competition and instead followed a passive approach that focused on the incremental development of electricity networks to provide an effective, rather than efficient, service (Miles and Snow, 1978: 37). This created strong entry barriers, fostered the evolution of a stable and certain operating environment and legitimised the archetype/organizational template, generating inertia and resistance to change (Fligstein, 1996; Oliver, 1992; Hinings and Greenwood, 1988; Zucker, 1977, 1987, 1983; Hannan and Freeman, 1984; DiMaggio and Powell, 1983). This also stunted the development of technical efficiency within the electricity companies.

The government's withdrawal of support for the traditional archetype through legislation provided the trigger for organizational change (Dobbin and Dowd, 1997; Isabella, 1992; Singh et al, 1991; Tichy and Ulrich, 1984). However although the timetable for change was proscribed by legislation, the data from this research indicate that each organization followed a unique trajectory of change and despite each organization sharing a similar regulated institutional context, common history, technology and culture, the process and outcome of change was significantly different. ESAs in this study clustered into two clearly identifiable groups. Three organizations – BEL, EAL and MPL – implemented first-order adaptive change, remaining committed to the community welfare and asset retention values of the traditional archetype. The remaining four organizations – SPL, DEL, PNZ, ELL – implemented second-order change to create a new strategic, structural and cultural template in reference to a new commercial archetype focused on wealth creation. Table 6.1 (overleaf) provides a compelling overview of the characteristics of archetype inertia and transformation in New Zealand electricity companies. The following chapter argues that the difference in change trajectories in each case was linked to the ownership structure selected by each and the nature and strength of

community ties. These two variables ultimately determined the strategic focus (community vs. commercial) in each case.

	Traditional Archetype	Archetype Inertia (BEL, EAL, MPL)	Archetype Transformation (DEL, SPL, PNZ, ELL)
Community Involvement Influence of Community, Resistance to Change	High	High	Low
Ownership Involvement Strategic Decision Making, Resistance to Change	High	High	Low
Ownership/CEO/Management Alignment	High	High	High
Management Independence, Leadership, Turnover, Commercial Experience	Low	Low	High
Degree of Strategic Change Vision, Alliances/Joint Ventures, Customer/Commercial Focus, Internal/External Competition, Consultants	Low	Low	High
Degree of Structural Change Divisionalisation, Decentralisation, Divestment, Consultants	Low	Low	High
Degree of Cultural Change Communication, Redundancies, Formal Change Programme, Consultants	Low	Low	High
Strategic/Structural/Cultural Congruence	High	High	Transition ⇌ High
Table 6.1 Characteristics of Archetype Inertia and Transformation in New Zealand Electricity Companies			

6.3 Cases of Adaptation – Archetype Inertia

Of the seven organizations that participated in this research, three – BEL, EAL and MPL – underwent a change process that was first-order in nature and evolved incrementally in reaction to environmental change (Greiner, 1972; Tushman and Romanelli, 1985; Tushman et. al., 1986; Bartunek and Moch, 1987; Meyer et al., 1993). All were EPBs prior to corporatisation and the dominant belief in each was that consumers were best served by ensuring the retention of assets for the community. The adoption of the trust ownership structure reinforced these ideals and values, resulting in few resources being devoted to the development of a significantly different structural and cultural configuration, predisposing each to follow a reactive, incremental change process.

6.3.1 The Influence of Ownership Structure

The selection and development of BEL, EAL and MPL's community trust structure was fundamental in charting the strategic change process. Initially the government had intended to commercialise the wider electricity sector and separate ownership from management in a manner similar to that developed in

SOEs through the Energy Companies Act (1992) (Spicer, 1996). However the government's inability to secure control of property rights meant that the incumbent board of each EPB had the opportunity to consult the community and determine an ownership structure that would secure the status quo, even after corporatisation. The inability or unwillingness of the owners of BEL, EAL and MPL to consider an alternative configuration of ownership structure is indicative of their commitment to the traditional electricity archetype (Greenwood and Hinings, 1988; 1993). This supports the thesis of Greenwood and Hinings (Greenwood and Hinings, 1988; 1993) that archetype inertia occurs where the values and ideals of organizational elite are consistent with and strongly embedded in the prevailing interpretive scheme.

However inertia in these cases was not only a product of embeddedness within the institutional environment, but also embeddedness within the local community environment. The proactive determination to maintain the ownership of electricity network assets for the community evident in BEL, EAL and MPL is indicative of this. Privatisation threatened ongoing local ownership of assets and the impact of such changes— employment and financial — was identified by BEL, EAL and MPL as detrimental to the economic and social well being of the community. In all the three cases the organization and organizational elite were so strongly embedded within the community that the impetus for change remained focused on retaining ownership and control of the assets in local hands. The boards of BEL, EAL and MPL therefore lobbied for and, due to the government's inability to force otherwise, eventually won the right to adopt the community trust form. This empowered trustees with voting and distribution rights over tradable shares and required them to act on behalf and in the best interests of consumers in a manner similar to the past (Farley, 1994; Electricity Task Force, 1989).

The selection of the trust structure had significant implications for the extent and process of organizational change in each case. Following the recognition of the trust structure in the Energy Companies Act (1992), BEL, EAL and MPL were no longer threatened by “asset expropriation” but were instead legally obliged to develop and operate in the best interests of the community. This

philosophy remained at odds with the government's intent, but allowed BEL, EAL and MPL to more or less maintain the status quo. Accordingly, although each organization was required to operate in a more commercial manner by government, this did not engender a radical shift in strategy, structure or culture but instead placed operational demands on the board and management of each that resulted in reactive and incremental changes. Furthermore, with trust members elected from within the community by local electricity consumers, the strategic direction of BEL, EAL and MPL remained closely aligned with the public service values and ideals associated with the traditional power board archetype. These two factors – a legal compulsion to act in the best interest of the community and public ownership of an organization with strong community ties – shaped the nature of organizational change.

The effect that public ownership had on the process and extent of change in BEL, EAL and MPL supports the propositions of Meyer and Zucker (1989) that public ownership creates inertia. Meyer and Zucker (1989) argue that public ownership prevents change for two reasons; first because the costs and benefits of change are diffused and second, as is seen in these cases, there is a perceived lack of benefit from private ownership. Change was not welcomed as it posed a threat to the existence of each organization and ultimately to the welfare of the community – the traditional focus of ESAs. With the trust structure preserving strong and direct community ties, the trustees of BEL, EAL and MPL remained strongly influenced by the immediate environmental context. These strong bonds prevented strategic management from considering changes that could potentially threaten the values, ideals and longevity of both organization and community (Hinings and Greenwood, 1988). These organizational and community forces for inertia determined the ownership structure selected for BEL, EAL and MPL and therefore the nature and extent of change.

6.3.2 The Influence of Leadership

The incremental nature of the changes implemented in BEL, EAL and MPL was strongly reflected in the appointment and selection process of each organization's CEO and senior management. Kanter (1983), Nadler and Tushman (1990; 1989), Nadler et al. (1995) suggest that the composition and

selection of organizational leaders – in these cases the board and senior management – plays a critical role in determining the nature and extent of organizational change. It is argued that during a time of upheaval, a lack of significant change in the ranks of organizational decision-makers, the ‘dominant coalition’ (Thompson, 1967), affects an organization’s ability to change, as strategic decision-makers may not possess the skills, ability, knowledge or willingness to adapt (Newman, 2000; Kotter, 1995). This thesis is well covered in literature both academic and popular (e.g. Peters and Waterman, 1982) and our data supports this well explored issue.

In BEL, EAL and MPL all three boards appointed an industry-insider to the position of chief executive. In 1988, the board of BEL appointed a long serving accountant from within the company as the new CEO. This appointment was necessitated by the retirement of both the incumbent chief engineer and the treasurer. In 1988, the board of EAL changed the title of its incumbent Chief Engineer/General Manager to that of CEO. In early 1988, the board of MPL appointed an accountant who had been with the electricity industry for more than 20 years as its new CEO. Furthermore, as board appointees, directors could ensure that the mindset and focus of each CEO was aligned with their somewhat conservative strategic aims for the organization – and therefore indirectly with the aims of trustees and the local community. Of note is that the CEO of MPL initially viewed himself as a transition manager and embraced the liberalization theme of the deregulatory legislation, advancing a semi-privatisation proposal that would see the sale of shares to an outside investor. However MPL’s board viewed the legislation differently and prevailed upon him to change his views.

The appointment of senior management to ‘new’ positions during the restructuring of each organization followed a similar process. While the structure of BEL, EAL and MPL changed to meet legislative requirements, little other than the formalization and separation of the financial relationship between each historic department was required. This incremental structural development did not challenge the operational boundaries present within each case, and fundamentally resulted in the CEO ‘renaming’ existing positions to

conform to the industry's emergent terminological norms and 'reassigning' existing senior management. While this conforms to the archetypal 'job-for-life' approach and the cultural unacceptability of redundancy, the CEOs of BEL, EAL and MPL justified this measure as being borne out of necessity rather than tradition. Each CEO cited the size, lack of resources available to and isolation of each organization as factors that reduced their ability to attract new management with the skills necessary for the implementation of radical change. Consequently managerial positions were filled in a traditional manner based on a length of service, rather than on merit.

In support of Kanter (1983) Nadler and Tushman (1990; 1989), Nadler et al. (1995) and Hambrick (1987), the lack of change made to the ranks of senior management found its ultimate expression in the inertia experienced by BEL, EAL and MPL. Just as with the trust board, the CEO and senior managers were drawn from within a local community that generally supported the traditional strategy of ESAs. As a result, lacking input from commercially experienced 'new blood', the 'dominant coalition' (Thompson, 1967: 135) remained homogeneous, introspective and committed to the values and ideals of the traditional electricity archetype.

Furthermore, although ownership and management were forced to separate in a legal sense to promote economic efficiency (Fama and Jensen, 1983), the strength of community ties held by the trust and management overrode agency-based principles that motivated this split. Embedded in a community with direct interests in the organization at a cultural and financial level, the trust and management were bound to the implementation of a common defensive strategy (Miles and Snow, 1978) that would preserve the status quo for the benefit of that same community and ultimately themselves. Consequently internal pressure for radical change was not evident, for strategic management explicitly shared the operating values held by the board of trustees, which created an aligned set of preferences, or strategic predisposition for a course of 'in'-action (Hinings et al, 1996; Beyer, 1981). As a result, despite the formal separation of owners from management, the board of trustees determined the nature and extent of organizational change in BEL, EAL and MPL, which

authorised each organization's CEO to introduce adaptive changes that would ensure legislative demands and community expectations were met. This supports the arguments of Greenwood and Hinings (1996) that organizations more embedded in and aligned with their institutional context (archetype congruence) are less likely to undertake transformational change than organizations less embedded. It also suggests in extension to their argument that embeddedness may be linked to ownership, control and the strength of community ties. While Greenwood and Hinings (1988, 1993, 1996) proposed that embeddedness affects the organizational change process, they did not empirically investigate the cause of this phenomenon. This research therefore contributes significantly to the understanding of the forces contributing to organizational embeddedness and the effects this has on the organizational change process.

Meanwhile, although there was external pressure for more radical change from central government, BEL, EAL and MPL ability to meet all legislative requirements meant that the government was legally and politically hamstrung and unable to force more change without further legislation. While deregulation provided the trigger for radical change in other organizations, the trust ownership structure with its overriding concern for community welfare overrode commercial concerns in BEL, EAL and MPL. This resulted in a lack of motivation for radical archetype change from the trust, CEO or senior management.

6.3.3 The Ownership – Management Relationship and Adaptive Change

The determination to preserve the status quo exhibited by the trust and management of BEL, EAL and MPL meant that the degree of strategic, structural and cultural change in each organization was minimal. Such coherence to the norms and values of the past even during a period of upheaval conforms to Greenwood and Hinings' (1988, 1993, 1996) definition of organizational inertia. The dominance of the traditional archetype's 'prevailing set of assumptions' (Greenwood and Hinings, 1993: 1071), in part encouraged by the strength of organizational ties with the local community, fundamentally determined the extent and nature of the change process in BEL, EAL and MPL. With the community, owners and senior management inextricably intertwined,

the adaptation of each organization to meet the demands of a deregulated environment was interpreted and implemented through the frame of the traditional archetype (Giddens, 1979; Hinings and Greenwood, 1988; Weick, 1995). The inability for legislation to force more radical frame-breaking change (Nadler and Tushman, 1989; Tushman et al, 1986;) only served to reinforce the legitimacy of this interpretation and approach. Consequently, irrespective of the potential for radical change and the developments of other organizations, BEL, EAL and MPL management and owners were either unable (Newman, 2000) or unwilling to consider an alternative structural, strategic or cultural configuration during a time of environmental upheaval.

6.3.3.1 Strategic Adaptation

The ramifications of continued archetype coherence for the strategic development of BEL, EAL and MPL were clear as each organization maintained a focus on the historic strategic objective of providing and ensuring the effective delivery of electricity. Of note is that these strategies were internally generated, reliant on the vision, skills and abilities of the board and management, rather than those of consultants external to the firm. Organizational change literature, in particular Tushman et al, (1986) and Tichy and Ulrich (1984), has identified that to overcome inertia and encourage discontinuous change requires the introduction of new ideas and development of understanding through the inclusion of 'new blood' or opinions outside the organization. Where the ranks of 'organizational elite' (Hinings et al, 1996: 885) – strategic management– remain unchanged during a period of upheaval, understanding the implications of change are reduced and the likelihood of inertia increases (Newman, 2000). Where companies follow conventional presumptions to maintain strategic fit during a time of change, strategic ambitions are restricted to those that can be met with available resources preserving consistency through conformity of behaviour that focuses on achieving traditional, formal objectives (Hamel and Prahalad, 1989). Where organizations take such a strategic approach, this suggests that an inverted U-shaped relationship can develop between the extent of environmental and organizational change (Newman, 2000). The experience of BEL, EAL and MPL

supports this position. As the extent of change in the operating environment increased the ability and willingness of these organizations to respond reduced.

The only significant strategic development in each case was the growth of the marketing function. Taking cues from state owned generation companies, BEL, EAL and MPL established a marketing programme that promoted the organization and the use of electricity. EAL in particular devoted a significant amount of resources to this, winning awards for their campaign. However the development of a formal and 'commercial' type marketing approach neither challenged nor changed the prevailing archetype. Instead it reinforced the importance of the electricity company's role as an essential public service in each community. Further, unlike the other companies in this study, BEL, EAL and MPL did not diversify or enter into strategic alliances. Electrical network (contracting) services continued to be provided 'in-house', the threat to local jobs considered too high to consider outsourcing. Paradoxically, all three companies made intermittent attempts to win tenders for work outside their region that met with varied success. BEL in particular did consider the possibility of pursuing several other strategic options. The CEO of BEL met with the head of a neighbouring company to discuss the possibility of a collaborative approach or merger to realise potential synergies in electricity supply shortly following his appointment. However the proposal was aborted without fully exploring opportunities and costs, as the move was not seen to offer significant benefits to their respective communities by the management and board of both organizations. In another project that conformed to the strategic norms of the traditional electricity focus, BEL sought government permission to develop generation capacity, a scheme that the board and management believed would benefit the country through the provision of additional capacity and community through employment. However this project was denied resource consent, the government citing conservation concerns, much to the chagrin of the community, which bolstered popular and organizational resistance to further institutional change.

Events in BEL, EAL and MPL support Tushman et al, (1986), Tichy and Ulrich (1984), Hinings et al (1996) and Newman (2000), providing evidence that

without change in the ranks of organizational elite the motivation and ability to implement strategic change during a period of environmental upheaval is significantly reduced. This research extends this argument further and suggests that even where the motivation for strategic change exists, as in MPL, the strength of the community-board, community-management and management board relationship and the values that underlie this relationship determine the strategic change process. That is the extent and nature of strategic organizational change relies not only on the skills and ability of the organizational elite but also, particularly in cases where strong community ties magnify the social implications of organizational change, the support of wider organizational stakeholders. This makes explicit the argument that organizational change must be viewed as a political process, with the extent and scope of change reliant on the strength of the bonds between ownership, governance and the community (Meyer and Zucker, 1989).

6.3.3.2 Structural Adaptation

Just as strategic change was limited in scope in BEL, EAL and MPL, so too was structural change. When an institutional template is so embedded in the psyche it is considered the right way to organize (Oliver, 1992) change is unlikely unless stimulated by radical environmental upheaval. However even during a period of change, organizations take divergent paths that see some remain aligned to traditional structural configurations. Hinings et al (1996) suggest from empirical data that there is a strong correlation between the values held by the 'elite' (organizational owners/management) and the manifestation of an organization's structure that can explain this divergence. Where values of organizational elite remain unchanged the structure remains tied to what is regarded as the legitimate traditional template (Oliver, 1992). I believe this proposition can be extended suggest that the strength of community ties maintained by organizational elite (personal embeddedness in the local operating context) also influences structure. Where organizational-community ties are strong, the values of the local operating context permeate the decision making process of organizational elite to create a strong alignment of values that fundamentally influences the scope and extent of structural change.

This phenomenon was apparent in all three cases, with many respondents claiming that they 'ignored' the developments of other electricity companies. While BEL, EAL and MPL all undertook a reorganization of departments to meet legislative requirements, the structural ramifications were limited to the renaming of traditional functional areas and the formalisation of internal financial relationships. This initiated an investment in infrastructure to bring financial reporting abilities up to the standard required by the government. Particular emphasis was placed on the development of computer systems that would allow more accurate tracking of records, billing functions and assets. Interestingly this was also the only area where consultants were employed in any of the three organizations to assist in the change process. However although this infrastructural development process was a significant development, it was fundamentally the adaptive refinement of existing systems. These changes did not result in significant structural changes involving the creation or divestment of functional areas or affect employees and the local community through downsizing. Instead each remained rooted in what Spencer (1994) terms the 'mechanistic paradigm', where managers think, employees do (Clemmer, 1992; Burns and Stalker, 1961b). Inertia was embedded at the organizational level; change was 'perceived' by owners and management as an unnecessary challenge to the organization's established structure and routine as there was no discernible benefit for the organization's performance or the community's well being. The cases of BEL, EAL and MPL were therefore stuck, focused on traditional core competencies that became core rigidities and halted structural change (Barnett et al., 1994; Burgelman, 1994; Leonard-Barton, 1992). While the potential to create the momentum for radical structural change was present with the deregulation of the operating environment, it was not realised as the strength of the traditional archetype and community ties prevented organizational leaders from considering alternative configurations.

This inertia during a time of environmental change supports the proposition of Hinings et al (1996) that significant changes in organizational structure can occur only when the values of the organizational elite are 'revised or re-

assessed' (888) or replaced (Tushman et al, 1986; Tichy and Ulrich, 1984). This also provides evidence of the need for popular support of a change initiative where community-organization ties are strong.

6.3.3.3 Cultural Adaptation

As a consequence of the lack of strategic and structural change, the traditional culture of BEL, EAL and MPL remained mostly intact. Organizational culture is defined as a set of beliefs and values shared by organizational members and is therefore a critical component in instituting change as it communicates in an unwritten manner 'how things ought to be done' (Schein, 1969, 1985; Smircich, 1983; Meyer, 1982; O'Reilly, 1989). A formal cultural change programme was not instigated in any of the cases of inertia. However while the macho, engineering, public service culture of the past continued to dominate each organization, a shift away from focusing on effectiveness to efficiency did drive itself through each organization. Although not a radical shift, this cultural change was driven both by emergent institutional pressures and internal CEO driven policies for financial accountability. However the community focus in BEL, EAL and MPL continued to dominate expenditure decisions, essentially preserving the public service culture. For example BEL continued to advertise in the local newspaper to ensure its survival.

This institutionally driven cultural shift had its most obvious impact on the CEO's position, with accounting experience coming to the fore over and above that of engineering. However while the CEO in each case may have been recently appointed, he was an industry and/or organizational insider with several years of experience and, just as importantly, an established member of the community. Similarly with no changes forced upon the locally sourced management team, a close sense of kinship was evident based upon shared organizational and community experiences, values and ideals. While such 'bonds' provided the basis for good performance (Michel and Hambrick, 1992) during a period of stability, during a period of environmental uncertainty, which had the perceived potential to threaten both the organization and community, these bonds promoted a wariness and resistance to institutional change among the organizational elite. Consequently each organization withdrew to a defensive position and the organizational culture, or 'way of life', changed little.

While some devolution of decision-making did occur, the management style and culture in each of the three cases remained autocratic, hierarchical, centralised and mechanistic with the CEO maintaining a firm control of day-to-day operational affairs. Communication remained informal in nature and there was a low level of formalisation in job descriptions. Yet this managerial style did not appear to cause obvious friction within the organization, at least at the senior management level, as the directive manner in which business was conducted was an accepted and established norm.

6.3.4 Summary

Despite the opportunity for radical change presented by deregulation, BEL, MPL and EAL maintained the traditional configuration of strategy, structure, culture associated with the electricity archetype, conforming to Greenwood and Hinings' (1988, 1993, 1996) definition of archetype inertia. Inertia had a momentum of its own, the product of a lack of changes made at the ownership and governance level and a determination to preserve ownership and control in the local community. While the ownership structure selected by the community mirrored that of the past, and the ranks of senior management remained unchanged, each organization remained strongly embedded in the traditional values and beliefs of the electricity archetype and local community. Consequently a defensive (Miles and Snow, 1978) strategic position emerged in BEL, EAL and MPL that remained focused on the organization continuing to meet the electricity and welfare needs of the community by ensuring asset retention and control.

This strategic predisposition limited the structural configurations considered valid by agents in BEL, EAL and MPL, precluding the introduction of radical organizational change and significantly reduced the effect of deregulation (Jensen and Meckling, 1976; Fama, 1980; Meyer and Zucker, 1989). Organizational decision-makers did not share government's opinion of the appropriateness of the change programme. This triggered a cautious adaptive change process that remained aligned to the values of the traditional electricity archetype. Consequently changes implemented in BEL, EAL and MPL were primarily structural developments of the first-order, remained congruent with the prevailing interpretive scheme and strongly affected the development of the

operating environment (Giddens, 1979; Ranson et. al., 1980; Hinings and Greenwood, 1988; Weick, 1995). Further, as the government faltered in its change timetable and with public ownership diffusing 'the costs and benefits of organizational performance', there was no cognition of a looming 'performance crisis' (Oliver, 1992: 568) and therefore little urgency for radical organizational and institutional change (D'Aunno et al, 2000: 684).

6.4 Cases of Recreation – Archetype Transformation

In stark contrast to the process of change in the previous cases, SPL, DEL, PNZ and ELL all invested significant resources into aggressively transforming their strategic, structural and cultural configuration with the aim of developing a commercially focused operation. The dominant ideology in each of these cases was that the organization could best benefit the community by implementing a commercially focused corporate strategy fundamentally different from the past. However although each case shared this common objective, the motivation for change was different. SPL and DEL, MEDs prior to corporatisation, both followed a radical and anticipatory change process to secure ownership of the electricity company. PNZ and ELL are interesting in the sense that although they were originally EPBs, in stark contrast to their peers, they also followed a radical, anticipatory change process but rather than seeking to secure ownership instead sought to enhance the value of the organization in anticipation of privatisation. However despite this contrast in motivations the corporate rationale upon which change was predicated resulted in the process of organizational change in each case following a fundamentally similar trajectory to DEL and SPL.

6.4.1 The Influence of Ownership Structure

Unlike the inertia present in the previous cases, the customary owners of SPL, DEL, PNZ and ELL each looked beyond the strategic and structural confinement of the traditional archetype to seize the opportunity for radical organizational change – archetype transformation (Greenwood and Hinings, 1988). The initial step in this change process was the creation of a corporate ownership structure significantly different from the past that would enable each organization to secure significant commercial advantages, government endorsement and, in turn, provide the basis for the institutionalisation of a new

organizational template. The strategic choice to follow a corporate rather than 'community' ideology provides a major point of departure from the earlier cases and highlights the importance that ownership plays in shaping the dynamics of organizational and institutional change. These cases challenge the functionalist notion that the environment determines organizational characteristics (Donaldson, 1987; Hannan and Freeman, 1989; Powell and DiMaggio, 1991), and support a view that organizational change is a political process involving both proactive and reactive initiatives that can influence the environment (Burrell and Morgan, 1979; Child, 1997).

The influence of changes to the ownership structure on the institutional environment and organizational change process is captured particularly well by the cases of SPL and DEL. Alerted to the likelihood of reform in 1987 after the corporatisation of the New Zealand Electricity Division (NZED), the MEDs of the Christchurch City Council (CCC) and Dunedin City Council (DCC) were corporatised in anticipation of the Energy Companies Act (1992). The primary concern for both councils was to provide evidence that municipal ownership would not compromise the commercial operation of the MEDs. The process in which corporatisation was implemented in both MEDs followed a similar path. The CCC and DCC first established an independent review committee to recommend immediate changes to the governance structure and operations of its MED in anticipation of deregulation requiring such change. Both committees established that preservation of ownership could only be achieved by separating ownership and control in a fashion similar to that implemented by the government in other SOEs. The SOE model implemented by the government saw the reduction of political control of organizations based on operating principles that required organizations to run as successful businesses with managers, guided by a board of directors modelled on the private sector, responsible for establishing commercially viable operating strategies. This belief in the need for owner-manager separation had developed out of the theoretical statements of agency theory, which argue that organizational efficiency and change can be encouraged only through the development of independent management empowered to act in the best interests of the organization (Fama, 1980). Accordingly the DCC (1988) and CCC (1989)

appointed independent boards of commercially experienced directors and charged them with ensuring that each electricity company was developed along corporate lines. The separation of ownership and control reduced the traditional political/community forces that had in the past influenced the strategic and structural development of the MEDs. This affected the extent of organizational change and the development of the institutional environment, particularly after the government, having seen it in operation, endorsed the legitimacy of this configuration in the Energy Companies Act (1992).

Although EPBs, the process of organizational change in PNZ and ELL both present an interesting contrast to that implemented in BEL, EAL and MPL. In a manner similar to these organizations, PNZ and ELL's predecessors had transferred the ownership of their assets to trusts after the Energy Companies Act (1992). However, unlike BEL, EAL and MPL the trustees of PNZ and ELL looked beyond the frame of the traditional archetype and anticipated the eventual privatisation of their electricity assets. Consequently rather than implement a strategy intent on retaining ownership and control, both sought to enhance the value of their assets with a long-term view to divestment. As the present CEO of ELL observed: *"The expectation was that someone would come along with big fat cheque book and that would be it"*. Therefore PNZ and ELL followed a change trajectory similar to SPL and DEL that focused on creating new institutional norms and resulted in the separation of ownership and control through the development of a corporate structure and a commercial strategy.

The change trajectory of PNZ was the most convoluted of all the organizations in this research having been formed in 1994 as a result of the merger of former EPBs Waitemata Electricity (WEL) and Valley Power (VPL). As the initiator of the merger and the larger of the two organizations, the management philosophies, strategy, structure and culture of WE was dominant. The EPB that had established WEL had done so in anticipation of major changes to the electricity industry following the Electric Power Board Amendment Act (1989) and (1990). In 1991 WEL trustees, in anticipation of further change, appointed a new board composed of individuals with commercial experience; particularly

influential in determining the trust's direction was a former Member of Parliament that had been involved in the development of earlier electricity reforms. The reconfiguration of the board and the trust's insistence on the development of a corporate and commercially viable enterprise saw the formal distancing of ownership from management and provided the board the freedom to re-evaluate and change the strategic and structural configuration of the organization. The first indication of corporatisation involved the renaming of the organization to PNZ in an attempt to change the public's perception and distance the 'new' operation from the past. The timing of change in ELL was more akin to that of BEL, EAL and MPL in that corporatisation occurred only after the Energy Companies Act (1992). However unlike those cases of adaptive change ELL's trustees, like PNZ, appointed and empowered a new board to develop the organization in anticipation of further environmental change. However while the trust encouraged the company to launch radical changes internally, it was less supportive of external moves to form joint ventures and alliances.

Although motivated to change for different reasons – asset retention in the case of SPL and DEL, wealth creation in WEL (hereafter referred to as PNZ) and ELL – the customary owners of each organization acknowledged the need for change, primarily based on changes effected in SOEs. Unlike the cases of BEL, EAL and MPL, the boards in these cases understood the commercial imperatives for change and were prepared to implement change to align their organizations with this 'corporatisation' movement. There were several perceived benefits in doing so, including the ability to extract substantial financial gains through operational developments and from the spin-off effects that government recognition of their particular organizational form as the legitimate configuration would provide (Meyer and Zucker, 1989). The effect was the separation of managerial and ownership interests within each organization. Strategic and operational concerns became the sole concern of organizational managers rather than owners and provided strategic management in each case with the authority and freedom to develop a new corporate focus, effectively eroding the influence and constraints of the traditional archetype. This indicates that the values and ideals of organizational

elite were not as strongly embedded in the norms of the traditional institutional archetype and again adds weight to the thesis of Greenwood and Hinings (1988, 1993). New board members, having been appointed (rather than elected) based on commercial experience and for the sole purpose of implementing change, brought with them a new perspective to the operation of the electricity companies that challenged the traditional archetype and made it possible to transform these organizations.

When referring to the cases of archetype inertia, the effects of owner-management separation and corporatisation on DEL, SPL, PNZ and ELL most strongly impacted upon the ability of the community to influence the change process. Although the implementation of change had been predicated on the traditional notion that it would benefit the community in a manner somewhat similar to BEL, EAL and MPL, unlike these cases, the separation of owners-managers meant that management was accountable to the board in a purely commercial/financial sense. As a result the community could not affect the organization's strategy through the application of pressure on the board or council as had happened in the past. That the boards of DEL, SPL, PNZ and ELL initiated such a radical change in itself suggests that the board-community relationship was not as strong an influence in the organization as was obvious in the previous cases. This supports to the argument of this thesis that community embeddedness influences the process and extent of organizational change.

Unlike BEL, EAL and MPL that were based in small townships where the electricity company was a significant contributor to the economic and social well-being of the community, DEL, SPL, PNZ and ELL were based in larger urban centres. This distanced the organization and organizational decision-makers from the community, the effect being that there were no direct ties to the community. The effects of organizational change had a less obvious impact on the welfare (social/financial) of the larger community, as each organization was only one of several large employers. This distance provided the board of each anonymity and freedom to implement radical change without fear of personal repercussions and enabled them to assess in a more objective

fashion the costs and benefits of archetype change. I therefore suggest that through ownership-management separation, organizational and community forces for inertia were minimised and provided a basis upon which radical organizational change – archetype transformation – could be launched.

6.4.2 The Influence of Leadership

Although the owner-manager separation was fundamental to the organizational change process, this alone did not stimulate the necessary strategic, structural and cultural reconfiguration. In order to achieve the degree of change required for organizational transformation, boards recognised that it was necessary to import and develop a new strata of strong leaders with professional skills required in a commercial environment (Newman, 2000; Nadler and Tushman, 1989, 1990; Kotter, 1995).

The first step in this process was the recruitment of a new CEO. As highlighted earlier in the cases of archetype inertia, the CEO is recognised in change literature as a fundamental force for transformational change (Shaw, 1995; Van de Ven and Poole, 1995; Kanter, 1983; Tichy and Ulrich, 1984). Although organizational change in these cases was sparked both in anticipation of or reaction to environmental upheaval, new organizational leaders with commercial skills, abilities and perspectives were explicitly and proactively sought out to initiate transformational organizational or archetype change (Tushman et al, 1986; Schein, 1985). In the cases of SPL and ELL the board recognised this requirement without outside assistance. In SPL, the board appointed a new CEO that had previously been a general manager in the MED and also involved in the corporatisation of the NZED. As an engineer with formal marketing skills acquired during his time with ECNZ, he possessed a diversity of skills and abilities that would allow him to exploit traditional and non-traditional areas of the organization to promote development in a new commercial environment. Similarly ELL's board sought to replace the incumbent CEO, who they felt was unsuitable for the new emerging environment. The board wanted a CEO that would extract the best from and prepare the organization for a competitive environment should there be a need for divestment. The position was advertised and they appointed an individual, on a three-year contract, with no experience in the electricity industry but a

background in management consulting and specialist knowledge of the computer industry. In DEL and PNZ, professional management consultants were employed to systematically review the organization prior to the employment of a new CEO. In both instances consultants recommended sweeping changes and urged that these begin at the top with the appointment of new senior managers capable of implementing a growth strategy. As a result, the incumbent CEOs of DEL and PNZ were let go and new individuals appointed. Similar to SPL, DEL's CEO was originally an engineer but had developed accounting skills during his time with another, but state-owned, electricity company. PNZ also selected a new CEO for his abilities in both the traditional (engineering) and emerging (marketing) operating paradigms, proven during his time at ECNZ as national manager of electricity marketing. As the current CEO noted, the appointee was considered part of a 'new breed' of professional managers appearing within the sector. That boards in DEL, SPL, PNZ and ELL sought the employment of change agents in a proactive manner and explicitly provided these CEOs with a clear mandate for change illustrates further the effect that the corporate structure had in distancing the organization from the constraints of the traditional electricity archetype. Without owner-management separation and the subsequent development of a corporate mindset within the board, this thesis argues that these organizations would not have considered radical changes to the CEO's position as this went against the inherent 'job-for-life' mentality. The effects on the change process would have been substantial, as the board would have remained embedded in and constrained by the institutional norms of the traditional archetype.

The appointment of new CEOs had immediate implications for the wider organization, the first impact was felt in the ranks of senior management. Oliver (1992) asserts that changes to the composition of this 'dominant coalition' of senior management are a fundamental and necessary precursor to the successful implementation of transformational change. Others (Nadler and Tushman, 1990; Goss et al, 1993; Hambrick, 1987) highlight that the composition, individual skills and abilities and interpersonal relations of the dominant coalition are a fundamental determinant of the success of a transformational change initiative. Where the CEOs in the cases of archetype

inertia were constrained by institutional and community norms, in each of the cases of transformational change the CEO was free to review the dominant coalition to ensure their alignment with the new commercial needs of the organization. Although the process in which this was done differed within cases, the result was the same as each CEO implemented significant changes. In SPL and PNZ, the CEO assembled a 'dominant coalition' (Thompson, 1967) from people he had previously worked with on similar projects in other organizations. This provided a basis from which rapid organizational change and performance gains made, as a 'team' culture and interpersonal/working relationships had already been established (Hambrick, 1997). In DEL and ELL the CEOs relied on management consultants to recommend changes. Subsequently all senior management positions were advertised and filled predominantly by individuals from within the firm. However, that these positions were filled internally did not seem to hinder the organization change process, possibly because new appointments were selected for the specific purpose of implementing change, shared a common bond, were younger than the incumbents and enthusiastic to implement strategies that had been suppressed in the 'old regime'. The changes implemented in the 'dominant coalition' (Thompson, 1967) of each of these organizations ensured the development of a common mindset around the CEO and board's vision for the future corporate development of the organization (Hambrick, 1987). While it did not eliminate debate and arguments, these changes did ensure that there was a shared awareness of the need for change and an ability to communicate at a professional level, unhindered by the values and ideals of the traditional archetype (Michel and Hambrick, 1992). The changes implemented at the 'top' of the organization signalled a clear departure from the past and generated an internal pressure for the implementation of change.

The ownership-management separation was fundamental to the transformational change process implemented in DEL, SPL, PNZ and ELL. Unlike the cases of archetype inertia, this split had been made on the proviso that it would promote economic efficiency (Fama and Jensen, 1983) in the name of asset retention in the cases of DEL and SPL, and wealth generation in PNZ and ELL. Owner-manager separation extracted each organization from

institutional and community norms in which they were embedded and, with a corporate management structure, granted managerial authority to a new 'dominant coalition'. This removed the dynamic constraints of the organization's past and provided the CEO (the key driver in each of these cases) with the resources and mandate to proactively scan for and develop solutions to organizational issues beyond the scope considered legitimate in the traditional archetype (Miles and Snow, 1978: 20-21). Consequently, rather than follow a defensive strategy to maintain the status quo like the cases of archetype inertia, the CEOs of DEL, SPL, PNZ and ELL sought to create opportunities and meet strategic goals through the development of new strategic, structural and cultural configurations. This reassessment process, lead by the CEO, forced a global perspective into each organization and, in a manner similar to Miles and Snow's (1978: 29) definition of prospectors, provided the momentum with which DEL, SPL, PNZ and ELL could both respond to and create the emerging institutional environment.

6.4.3 The Ownership – Management Relationship and Transformational Change

The determination to radically reconfigure the strategic, structural and cultural framework of DEL, SPL, PNZ and ELL and align each organization with new corporate norms and values conforms to Greenwood and Hinings' (1988, 1993, 1996) definition of archetype transformation. The owners' dissatisfaction with the traditional configuration, generated by the perceived requirements of a deregulated environment, forced the acceptance of a corporate ownership structure and with it the development of a new 'prevailing set of assumptions' (Greenwood and Hinings, 1993: 1071). The owner-manager separation associated with this move broke apart the restrictive community-owner-management bonds, and allowed the newly installed 'dominant coalition' to reframe and recreate the organization and the organization-environment relationship (Thompson, 1967; Giddens, 1979; Hinings and Greenwood, 1988; Weick, 1995).

6.4.3.1 Strategic Transformation

While the motivation for change differed in DEL, SPL, PNZ and ELL, the process of implementing strategic change was similar in each. Although each board had laid down generic strategic goals, the actual process of achieving

asset retention and wealth creation had not been determined. Consequently the CEO, empowered in each case to implement commercial initiatives, chose to employ professional change consultants to assess each organization, understanding that it was necessary to acquire information on the state of the organization in a non-partisan fashion to develop of a clear strategy for change. Organizational change literature (Tushman et al, 1986; Tichy and Ulrich, 1984) emphasises that the generation of new ideas and discontinuous change requires the input of influences from outside the organization. The result of this exercise in each case was enhanced managerial knowledge of the organization's strengths, weaknesses, opportunities and threats and further understanding of the requirement and implication of change. Unlike the cases of archetype inertia where such knowledge was assumed, this process provided a concrete basis upon which a change initiative could be launched and progress measured against. Newman (2000) states that explicit managerial knowledge of these factors is required before organizational inertia can be overcome.

Central to the consultant's contribution in each case was their assistance in determining the organization's vision – its strategic focus and reason for being. A vision is said to 'outline a strategy and lofty action plan' (Nutt and Backoff, 1997: 491) devised by organizational leaders in reaction or anticipation of environmental turbulence (Block, 1991; Tichy and Devanna, 1992). A vision promotes transformational organizational change as it provides a trigger and focus for change that incorporates the views and engages the passions of many stakeholders while identifying obstacles to its implementation (Nutt, 1997: 490 – 492). A vision can recreate the organization by defining its purpose in a more complex and diverse way (Ackhoff, 1981). However as a means of anchoring organizational identity, change to the definition of the organization can result in resistance to change (Bartunek, 1984; Reger et al, 1994).

The 'envisioning' process in DEL, SPL, PNZ and ELL highlights the significant difference between the cases of inertia and transformation. The need to transform the vision in each of these cases only arose out of the shift in the organization's focus (community to commercial) associated with the owner-

management separation. Historically each organization had regarded itself as an electricity company providing electricity services to consumers, and over the decades had grown in a haphazard way to encompass other ancillary services that blurred the strategic direction and complicated the organization's structure. Through a series of meetings the senior management of each organization was able to re-evaluate the organization, what it does and what it should do in a deregulated environment without political interference. Based on these perceptions, developed partly in reference to the effect that deregulation had in other industries, a vision was enacted that allowed management to provide a rationale for change and develop a commercial vision around which critical success factors and strategic imperatives were derived.

DEL and ELL developed a similar commercial vision that sought to exploit managerial competencies to create an asset management company. ELL in particular devised a specific change programme to achieve this in a strategic plan called 'Target 2000'. SPL recreated itself as an energy (as opposed to electricity) company and sought to diversify into complementary energy services. PNZ focused on aggressively exploiting the potential of a deregulated environment to create the country's largest electricity company through a process of mergers and acquisitions funded through a public listing. However this proved to be a huge strategic risk when Mercury Energy, New Zealand's largest electricity company, launched an aggressive take-over bid. This created a period of uncertainty as the different political interests of various owners and management created infighting. As a result senior management lost credibility within the organization and a number resigned, including the CEO, stalling the change process. The issue was only resolved when Utilicorp emerged as the major shareholder and was able to bring stability by appointing a new CEO who set the organization on move again. The problems experienced by PNZ serves to reinforce the importance of managerial autonomy, strong leadership and the owner-management alignment and support in achieving transformational change (Fama and Jensen, 1983; Kanter, 1983; Tichy, 1983; Nadler and Tushman, 1989; Kotter, 1995).

The development of a vision and mission in each case provided management with the ability to identify measurable critical success factors that could be benchmarked against national and international best practice. Unlike the cases of inertia that remained focused on the traditional aspects of safety and reliability of supply, the emerging commercial imperatives associated with deregulation saw the ascension in importance of customer value, productivity, financial performance and market share. From these factors four key factors were brought to the fore as strategic imperatives: customer focus, staff development and alignment, operational efficiency and commercial direction.

At the heart of each case of transformational change lay a revised focus on customer rather than consumer services. Customer focus has been identified as a vital in ensuring survival in a competitive environment, for example Atkinson (2000:8) states that customer perception of service delivery is 'imperative and will shape their (customer) choice of supplier or service provider'. The change in strategic mindset, triggered by the perceived effects of deregulation, established a new feedback loop that enabled each organization to identify and learn customer needs, assess organizational effectiveness and mobilise commitment to change at all levels (Day, 1999). This same process was observed in electricity utilities in Northern Ireland where a focus on customers created an ongoing 'dialogue' that motivated organizational change (Henderson and O'Neill, 2000). In the New Zealand context, quality and cost were identified as key areas that customers would use to compare electricity companies in a competitive environment. Consequently DEL, SPL, PNZ and ELL made changes in two areas. First, in an attempt to distance themselves from the poor image of their past, investment was made in the development of a 'corporate' styled image that involved new names and logos, 'corporate colours' and uniforms, professional advertising material and customer service training. Second, in an effort to reduce costs to customers, links were established with other organizations to create electricity retail trading companies while electricity contracting services were opened up to competitive tender.

The customer/commercial focus that emerged in DEL, SPL, PNZ and ELL as a result of the 'vision creation' process drove the structural and cultural change process in each of the cases of transformational change. In support of agency theory (Fama and Jensen, 1983), the owner-management separation forced the development of a commercial ideology into each organization that resulted in management generating organizational strategy based not on the desires of political influence but instead on the needs of customers and operational efficiency. This shift to a commercial, rather than community orientated, strategy marks a significant shift in values and ideals that led to archetype transformation.

6.4.3.2 Structural Transformation

Structural change was also implemented with the assistance of consultants and followed a process similar to that experienced by other service industries that had experienced the effects of deregulation over the previous decade, such as airlines, banking and telecommunications (Dowling et al, 1994; Bacharach et al, 1996). The development of New Zealand's electricity generation SOE was a particularly strong influence and model for structural change. First DEL, SPL, PNZ and ELL focused on identifying core operations in reference to the strategic vision. Once identified, measures were implemented in these core functional areas to encourage the development of competition, quality, productivity and decreased cost. The result in each case was divisionalisation, divestment, decentralisation and the emergence, legitimisation and institutionalisation of what D'Aunno et al (2000) refer to as a new organizational template.

Although the structure of DEL, SPL, PNZ and ELL appears similar to the cases of adaptive change, this process of change involved more than the renaming of previously integrated functional areas. Motivated by commercial rather than community imperatives, divisionalisation was implemented in each case of transformational change with the intent of developing and streamlining business processes in anticipation of the development of a competitive environment. This involved the restructuring of the organization around core businesses or profit centres – network, contracting, retail and in SPL appliance retailing – to

encourage operational efficiency through process redesign and internal competition. Although only ELL referred to this explicitly as business process reengineering (BPR) with their 'Target 2000' plan, the changes in each organization conformed to the definition of BPR, which is seen as a means to 'achieve dramatic improvements in performance by radically changing the process design,' (Aldowaisan and Gaafar, 1999: 5). While the monopoly function of network operation remained at the heart of each organization, in anticipation of competition electricity retailing and contracting functions were spawned off as stand-alone corporate entities, with contracting required to compete for internal business. Consequently established organizational relationships and processes were redesigned to cope with the competitive framework. Unlike the cases of inertia where all aspects of the firm were identified as necessary, areas not considered essential in delivering strategic objectives were divested, resulting in a significant number of redundancies in all cases. DEL sold off a power generation plant and its electricity retailing business. DEL, PNZ and ELL sold their appliance retailing businesses. However SPL initially invested in the development of appliance retailing, using this business as an opportunity to learn competitive practices in an already highly competitive market as much as to provide a total energy service.

Associated with the divisionalisation process was decentralisation and the delegation of managerial authority. Decentralisation is said to bring 'the market inside the firm' (Baker et al, 2001: 212) while delegation encourages ownership of the change process (Ching, 2001; Garvin, 1993). This is recognised in change literature as an essential aspect for stimulating organizational change and development, assisting in the creation of an organic, flexible, quality, customer focused organization where 'leaders as well as followers' can learn (Binney and Williams, 1997: 157; Gharajedaghi and Ackhoff, 1984). ELL in particular developed a radically different team structure to assist in the institutionalisation of change, with the CEO initiating the creation of cross-functional teams in a manner similar to those in the computer programming industry. To provide a means to support, manage and monitor the progress of this process all organizations invested heavily in new computer technology, accounting/information systems and staff development/training. Unlike the

cases of inertia where new technology was used as a way to track expenditure and introduce incremental improvements to existing processes, in DEL, SPL, PNZ and ELL it was utilised as a means to introduce transformational changes. Investment in decision support systems and staff training provided each with the means to 'collect operational data and transform it into useable information' (Hampshire and Rosborough, 1993: 26) that is assist in both the commercial decision making and organizational change process.

6.4.3.3 Cultural Transformation

Markedly different from the cases of archetype inertia was the recognition in DEL, SPL, PNZ and ELL of the importance in investing in transforming the organizational culture. In a process driven by the leader, the cultural change programmes in each of these cases sought to reinvent what Wilson (1989) calls the 'personality' of the organization, realigning employee goals and values with those of the new commercial vision. In all cases the cultural change process was regarded as slower than desired and anticipated.

The CEO was central to the cultural change process in each of the cases of transformation. Organizational change literature (Kotter, 1995; Hennessey, 1988; Graves, 1986; Schein, 1985) recognises the importance of the beliefs, actions and expressions of the CEO and other leaders in the transformation of an organization's culture. The CEOs in DEL, SPL, PNZ and ELL were enthusiastic champions of change and the way in which cultural change was implemented was closely aligned with each CEO's personal beliefs, philosophies and competencies. Consequently the process of cultural change followed different methodologies. However despite the differences in execution, each CEO manufactured a sense of urgency for cultural change by developing three core areas; communication, formal change programmes and the renegotiation of labour-management relations.

Communication of the need for change formed a vital component of the cultural change process in DEL, SPL, PNZ and ELL. The vision for the organization and industry's future was shared with the wider firm by the CEO who personally engaged in informal meetings at all levels, while also formally fronting workshops, 'roadshows', videos and newsletters. Whether formal or informal, the message remained consistent with the vision that commercial criteria would

be basis of organizational decisions rather than the traditional community focus and emphasised the threat to the organization's future should change not occur. This made market issues a priority and established a sense of urgency for change throughout each (Day, 1999). Unlike the cases of inertia, a significant amount of management time and organizational resources was invested in this process. The development of open communication channels also played a key role in the process of cultural change. Investment in computer technology in all cases provided the means for more open and rapid sharing of information, breaking down traditional hierarchical cultural barriers to organizational change. This was assisted by the redesign of the physical office environment. The design of office/work-spaces has been shown to influence communication and the process of organizational change (Crabb, 1993). While SPL and PNZ retained a more traditional office format with some minor modifications to speed work processes – particularly customer service – DEL and ELL implemented a more radical open-plan design. Senior management identified the development of this open-plan environment as a means to break down traditional hierarchical barriers, increase cross-functional communication and promote the process of organizational and cultural change. Both DEL and ELL shifted into new premises. The most radical change was implemented in ELL who devised a flexible working space to fit around the needs of cross-functional process teams and removed physical barriers to communication – personal offices and doors – associated with hierarchy.

While communication alerted individuals to the need for change this alone did not mobilise wider commitment, or institutionalise change, to achieve what respondents referred to as 'buy-in' to the change process. The cultural acceptance and institutionalisation of change is identified as fundamental to implementing transformational change as it ensures that barriers to change – cultural or otherwise – can be identified and confronted at all levels to prevent the organization 'reverting to its old ways' (Day, 1999: 19). Cultural refocusing was achieved through the development of formal training and development programmes that created a sense of urgency for change and encouraged individuals at all levels of the organization to identify and internalise how change could be of benefit to them and the organization. Management style to

achieve this was therefore significantly different from the past and, although change was initiated from the 'top down', followed a consultative rather than autocratic manner. The implementation of the initiatives closely reflected the competencies and preferences of each CEO. Not wishing to repeat the adversarial approach seen during his time with ECNZ, SPL's CEO used his marketing background to develop an inclusive 'focus on customers' programme, while ELL's CEO utilised experience in the computer industry to implement a team development programme revolving around the 'Target 2000' strategy. The CEOs of DEL and PNZ followed a financial and process management approach that saw the implementation of ISO and financial training, a process that was standardised and repeated in the case of PNZ when engaging in mergers and acquisitions.

However despite the differences in approach, each programme shared common traits to generate cultural change: close senior management involvement; establishment of cross-functional teams; documentation of processes; development of customer feedback loops; training in customer service and financial management; utilisation of new technology; development of new operational benchmarks. Individually or in combination, each of these variables brought with them improvements to organizational processes and benefits to the individual that assisted in 'buy-in' and the development of cultural change (Pascale et al., 1997). The motivation to change was reinforced early in all cases when strategic management aimed to create success by initiating change projects that promised quick and measurable results – what management referred to in some cases as picking 'low hanging fruit' and Day (1999: 14) as an 'early win'. These 'wins' were broadcast throughout the organization as significant milestones to develop and maintain a momentum for change as well as create and embed a new organizational folklore and culture. Central to the stimulation of cultural change was the introduction of internal competition for work on the electricity network, which challenged everything that the traditional archetype represented.

Aligning the culture with the commercial strategic vision of each organization was not an entirely smooth process. For many the new structure and culture

associated with the commercial archetype created cognitive dissonance as change threatened the 'common logic' (Kahle, 1984: 11; Bacharach et al, 1996) of the organization, established positions of authority and individual security. Where investment in communication and organizational development failed to address this resistance it was overcome by the renegotiation of the labour-management relationship and, where necessary, selective redundancy. Organizational change affects industrial relations and the management of human resources that, if well managed, can have significant benefits for the organization (Katz, 1985; Kochan et al, 1988). Downsizing, as a tool for achieving efficiency gains and cultural fit, is also a significant and institutionally accepted driver for change. DEL, SPL, PNZ and ELL reduced union involvement in the organization with the assistance of the Employment Contracts Act (1992), and where necessary introduced redundancies in an effort to transform the nature of the employee-employer relationship and institutionalise cultural alignment with the emerging commercial archetype. The Employment Contracts Act (1992) freed up employment law, granting strategic management and employees the freedom to negotiate organization and individual specific employment contracts (with minimal union input) to align with the strategic direction of the organization. As a result of this remuneration was tied not to tenure but performance, forcing individuals to focus on increasing their skills and abilities – a process formalised in DEL and PNZ with the ISO programme, while SPL and ELL utilised a similar methodology. This also acted to extract and disseminate internalised knowledge to promote teamwork and economic efficiency. Those individuals that remained opposed to this or were not able to meet the demands of a commercial environment were removed. With the introduction of internal competition, this resulted in a significant number of redundancies. While this was identified as initially having a negative affect on the organization associated with morale low and uncertainty high, overall this was seen to have a positive affect on the performance and culture of each organization.

6.4.3.4 Environmental Stasis

However, although significant efficiency gains were made as a result of changes implemented in DEL, SPL, PNZ and ELL, the anticipatory and radical

nature of the change process created problems when the institutional environment failed to develop in a truly commercial/competitive fashion. Although the Energy Companies Act (1992) did provide scope for radical change, most organizations retreated in a defensive stance to protect parochial interests. This restricted strategic opportunities to implement the vision for the organization and consequently slowed the momentum for change in each of the cases of transformational change. DEL and SPL began to move towards the less aggressive strategic norms of the emerging environment. ELL, although hamstrung in their attempts to develop an asset management company, continued to focus on internal efficiency and the development of strategic alliances wherever possible. PNZ's change process suffered significant setbacks when its early exposure to the sharemarket encouraged a hostile take-over battle that resulted in a management – ownership clash. As a consequence of this the dominant coalition dissolved. The process of change was only re-ignited when a party resolute in implementing change secured ownership and the services of a strong, internationally experienced CEO.

6.4.4 Summary

In anticipation of the development of a fully competitive electricity industry DEL, SPL, PNZ and ELL transformed their strategic, structural and cultural configuration to implement a commercial conforming to Greenwood and Hinings' (1988, 1993, 1996) definition of archetype transformation. Although motivated to change for different reasons, either asset retention or wealth creation, the process and extent of strategic change was similar with several key variables providing the momentum for transformational change.

The primary independent variable at the core of archetype transformation was the full corporate separation of ownership from management. This was a significant departure from the past, as it shifted stakeholder focus and power away from the demands of the traditional owners and instead towards customers and provided organizational management with the mandate to develop an organizational strategy based on commercial, rather than political, imperatives. Second, each board encouraged transformational change by appointing a new, commercially experienced, CEO. This ensured that the CEO was aligned with the board's vision for the organization and possessed

the skills and abilities to lead transformational change. Associated with the CEO's appointment was the introduction of 'new blood' to the wider 'dominant coalition' (Thompson, 1967). This ensured that the ranks of strategic management were aligned with the needs of the CEO and organization, and developed a strong team for change who were not as personally embedded in the organization or traditional institutional environment as their predecessors. As a result of this 'freshness' to the organization strategic management did not assume knowledge of organizational strengths, weaknesses, opportunities and threats and therefore explored strategic options in the face of deregulation with a new global perspective, assisted by consultants, in a systematic fashion. As a result of this evaluation process, strategic management in each organization developed an aggressive, prospector-like (Miles and Snow, 1978) vision for the future that provided strategic, structural and cultural opportunities beyond the confines of the traditional archetype. Although achieving this vision was hampered by the failure of the legislated environment to change as anticipated, the process resulted in the emergence of a corporate styled, customer focused and efficient organization.

6.5 Conclusion

Whether in anticipation or reaction to change, deregulation of the electricity industry triggered the development of two strategic approaches, defensive and prospective (Miles and Snow, 1978; Isabella, 1992) that led to first- and second-order changes respectively. The data provide evidence that this strategic choice and the degree of organizational change was a function of how embedded and aligned the values of organizational managers and owners were with the institutional norms of the traditional electricity archetype and the community. The congruence of the community/owners/management influenced the consideration, acceptance and implementation of a new design archetype, determining the degree of organizational change.

Where community/owner/management ties were high (BEL, EAL, MPL), the degree of change was limited to that acceptable and congruent with the values and ideals of the traditional archetype, owners and community. In these cases owners maintained control of the organization, retaining the services of CEOs aligned with the strategic imperatives of the status quo, resulting in the

emergence of a defensive strategy. Strategic direction was determined by the owners and implemented by incumbent management based on personal experience and the values of the community and traditional electricity archetype.

Where community/owner/management ties were low (DEL, SPL, PNZ, ELL), or intentionally reduced through owner/management corporate separation, organizational transformation could occur. In these cases CEOs armed with the requisite skills and aligned with the owner's commitment to change were employed and granted the freedom to implement strategic, structural and cultural changes regarded necessary for success in a competitive environment. This allowed management, with external assistance, to radically redefine the strategic direction of each organization with reference to the effects of deregulation in other industries. Consequently a global perspective of the organization developed shifting stakeholder power away from the traditional political influence of owners into the hands of customers. This resulted in the development of a prospective strategy and encouraged the radical reconfiguration of strategy, structure and culture, hampered only by the failure of the institutional environment to develop as anticipated. Table 6.1 presented earlier (section 6.2) outlines the characteristics that resulted in organizational inertia or transformation.

Chapter Seven

Conclusion and Implications

7.1 Introduction

This thesis has focused on identifying the factors that have influenced the process of organizational change in seven New Zealand electricity companies. To date literature on organizational change has lacked empirical data, but instead has been based on anecdotal evidence. Change management literature has also been markedly silent on the role that ideals, values and politics play in both organizational and institutional change (Greenwood and Hinings, 1993). Based on the data and themes developed from in depth and cross-case analysis presented in chapters four, five and six, the following chapter discusses the effect that ownership has on both the institutional and organizational change process. First, having observed the emergence of both adaptive and transformational change types in the same institutional setting, the chapter argues the thesis that ownership, governance structures and community ties influence organizational change. Second, I argue that change should be viewed as a political process, and therefore examined from a strategic choice and multilevel perspective. Third, the thesis supports the view that the CEO and dominant coalition play a centrally important role in the change process. Finally, a model of the change process is presented and the implications of these findings are discussed in relation to policy development. Management practice suggestions for future research are also presented.

7.2 The Effect of Ownership on the Change Process

A conclusion drawn from the preceding chapters is that institutional changes involving ownership and governance issues, such as deregulation, are better viewed as a political process by explicitly focusing on organizational influences on the institutional change process. This supports the call for the adoption of a multilevel perspective on the investigation of organizational change. Greenwood and Hinings (1993) and Fox-Wolfgramm et al (1998: 91) suggest 'that ignoring a multilevel perspective results in a lack of understanding of how change is embedded in and affected by its institutional and temporal context'. Child (1997) in particular argues the point further in his assertion that to understand the motivation and effects of change, strategic choice should be

viewed as a 'political process' (44). Adopting a socio-political perspective in the investigation of change allows researchers to locate 'the agency-structure relationship within its context' (Child, 1997: 69) and acknowledge the dynamic relationship that exists between the institutional environment, strategic choice and organizational configuration. By doing so organizational change literature and theory can, as Pettigrew and associates (2001: 697) assert, develop a mature and complex 'understanding [of] the dynamics and effects of time, process, discontinuity, and context'.

7.2.1 The Effect of Ownership on Institutional Change

As Oliver (1992: 584) points out, 'most empirical work from an institutional perspective has focused exclusively on exogenous sources of institutional change'. In this research, organizations were far from mute victims of change during a period of institutional change, but instead played an active role in laying claims to ownership and governance. Legislative changes did provide the catalyst or 'trigger' for change, driven by the government's desire to promote efficiency through commercialisation, deregulation and eventual privatisation (Dobbin and Dowd, 1997; Isabella, 1992). Although this was part of a wider socio-political phenomenon, without this 'trigger' it is entirely conceivable (and acknowledged by respondents) that the organizations that participated in this study would not have considered it necessary to implement any degree of organizational change. In the previously stable operating environment each organization maintained an identical strategic, structural and cultural configuration (archetype), with no compulsion to change as each fulfilled institutionalised expectations/activities that reinforced and sustained the "way things are" (Tushman and Romanelli, 1985; Scott, 1987: 496). It was only when the government, as opposed to the organizations themselves, perceived mounting performance problems that it identified a problem with institutionalized norms. This realisation shifted expectations from operational effectiveness to efficiency, signalling changes that would impact each organization's ownership structure and the industry, that change was considered.

However, rather than passive acceptance of government policy, each case affected changes to their ownership structure that influenced the development of legislation, the level of institutional change, and also set the foundation for the organizational change process. That is, institutional change was a political process. Extending the argument of Greenwood and Hinings (1988), this thesis proposes that both institutional change and organizational change were formulated on the basis of the interpretive schemes of owners. The commitment of owners to the existing or alternative archetype determined the legitimacy with which the alternative interpretive scheme was regarded and the level of organizational and environmental deinstitutionalization.

Faced with deregulation, the primary strategic concern of the boards of BEL, EAL and MPL lay with protecting ownership of the organization in, and for the welfare of, the community. Each organization had successfully met institutional requirements in the past and served the community well, both in terms of providing electricity services and employment, and the board was determined to defend this (Miles and Snow, 1978). Deregulation and commercial imperatives posed a threat to this equilibrium and was not perceived to be of benefit to either the organization or community (Meyer and Zucker, 1989). In an attempt to maintain stability, boards lobbied this view to regulatory bodies and successfully challenged the government's claims of ownership and right to implement change. Subsequently, each board selected a community trust ownership structure that, while required to meet obligations associated with corporatisation, provided for board control as well as conformed and maintained institutional values and ideals associated with the traditional archetype (Greenwood and Hinings, 1988; 1993). This supports and extends Spender's (1989) argument that institutionalized strategic 'recipes' inhibit the ability of agents (Whittington, 1988) to introduce both organizational and institutional change by preventing the development of 'innovative responses to changing environmental conditions' (Child, 1997: 50).

In contrast, the boards in control of SPL, DEL, PNZ and ELL viewed deregulation as an opportunity to implement change and institutionalise a new commercially orientated template. Unlike the previous cases, the boards of

these organizations identified that there potentially was a pending operating crisis and that significant financial and operational benefits could be achieved through the early adoption of a commercially orientated structure (Meyer and Zucker, 1989). Consequently, the boards were prepared to sacrifice control of the organization in anticipation of change to achieve this. While traditional institutional norms had served well in the past, the configuration was not perceived to be compatible with the demands of a deregulated environment. Taking their cues from changes implemented by the government in its SOEs, the boards separated ownership from management in a process indicative of the concepts of mimetic and normative isomorphism (DiMaggio and Powell, 1983). In DEL and SPL, this configuration was implemented well in advance of deregulation, actions that successfully convinced legislators that councils could legitimately own electricity companies without compromising their commercial operation. While PNZ and ELL made changes in reaction to legislation, they too adopted a radically different commercial structure in anticipation of the development of a competitive environment, with PNZ going so far as to list on the sharemarket. While the community did have input into the process, unlike the previous cases where community-organization bonds were strong, welfare concerns were not the dominant factor in the strategic decision making process. Instead, the ownership-management separation provided boards the opportunity to minimise community and organizational forces for inertia and stimulate a momentum for institutional and organizational archetype change (Greenwood and Hinings, 1988, 1993).

The strategic choices made by each board to follow either a traditional community or develop a commercially focused ownership structure influenced the development of legislation and the institutional environment. While the government was able to demand efficiency through the corporatisation of the sector, the lobbying and actions taken by each organization prevented it from securing ownership and control. This provided the owners of each organization the latitude to determine their own ownership and governance structure. The active manner in which the board of each organization acted to claim ownership rights saw an institutional environment emerge where new commercial and traditional community-focused archetypes could exist in parallel. This finding

extends the work of Greenwood and Hinings (1988, 1993) and suggests that inertia is more likely to occur not only in organizations more embedded in their institutional environment, but also those more embedded in their local operating context or community. It also suggests that radical institutional change such as deregulation is not simply a matter where exogenous factors force organizational reconfigurations (Zucker, 1988), but is instead a complicated two-way political process. Irrespective of deregulation, the acceptance of deinstitutionalization or archetype change occurred only where the owners recognised the potential benefits of a new environment and that operating on the basis of traditional values and beliefs threatened a performance crisis (cf. Bartunek, 1984) that would challenge the organization's ability to survive. The action taken by owners, to change or remain embedded in the traditional archetype, eroded the strength of the institutional status quo and in turn created the very environment in which they operated.

7.2.2 The Effect of Ownership on Organizational Change

Despite having shared the same archetype and in spite of facing the same environmental pressures for change, the scope, extent and process of change varied significantly in each of the seven organizations. Organizational responses ranged from incremental and reactive, to radical and anticipatory. As we have seen, the owners of SPL, DEL, PNZ and ELL embraced the opportunity for change to develop a corporate ownership structure. BEL, EAL and MPL in contrast challenged the need for change and clung to the norms of the traditional community archetype. This divergence in strategic paths challenges the functionalist view that the operating environment determines organizational change and configurations (Donaldson, 1987; Hannan and Freeman, 1989; Powell and DiMaggio, 1991). Instead this suggests that within the same institutional setting ownership can significantly influence the scope and extent of organizational change. In short the ownership structure chosen by electricity companies mediated the effect that deregulation had on the organization.

In the cases of BEL, EAL and MPL, the selection of the community trust structure allowed each organization to maintain a strategic, structural and

cultural configuration aligned with the past. Having secured ownership rights there was little urgency for change in each case and, based on established institutional norms, they adopted a defensive strategic approach (Miles and Snow, 1978) to maintain the status quo. The selection of the trust form was the first step. The choice to maintain ownership with the community ensured that the decision making process of each organization remained strongly embedded in and aligned with the demands of institutional and community norms, which anchored the strategic decision making process to the ideals and values of the traditional archetype. The strong institutional and community bonds maintained by the ownership structure acted as forces for inertia as the adaptation of each organization to meet the demands of a deregulated environment was interpreted and implemented through the frame of the traditional archetype (Giddens, 1979; Hinings and Greenwood, 1988; Weick, 1995). This meant that the degree of strategic, structural and cultural change in BEL, EAL and MPL was minimal, reactive and adaptive in nature and scope. At the strategic management level the ranks of senior management were fundamentally unchanged and with membership made up of industry insiders sourced from the local community, remained strategically focused on traditional social welfare concerns. Consequently strategic opportunities outside traditional operational boundaries such as mergers, acquisitions and joint ventures were not fully explored, as they had not traditionally been possible or of concern in the past. Structural change was limited to the development of infrastructural support systems and the renaming of divisions. Similarly with little change in other facets of each organization there was little investment made in cultural change. Although each organization did implement changes to their structure and culture, these changes did not aggressively challenge the status quo. Instead each organization's reconfiguration in reaction to corporatisation was accomplished within the confines determined by the traditional archetype. The inability for legislation to force radical frame breaking change (Nadler and Tushman, 1989; Tushman et al, 1986) and create uncertainty or erode the validity and perceived utility of institutionalized practices (Oliver, 1992: 562; Hinings and Greenwood, 1988) only served to reinforce the legitimacy of this interpretation and approach. Despite the potential for radical change, the ownership structure implemented in BEL, EAL and MPL mediated the impact

that environmental change had on the strategic, structural and cultural configuration of each organization.

In the cases of SPL, DEL, PNZ and ELL ownership structures based on commercial models were selected to enable each to effectively and efficiently operate in the anticipated competitive environment. Each organization's board chose to pursue the development and institutionalisation of a new corporate archetype, a prospective strategic approach (Miles and Snow, 1978) that generated urgency for organizational change. This supports the notion that 'loss or anticipated loss of institutional incentives for...compliance...is likely to deinstitutionalize procedures' (Oliver, 1992: 571). This also extends the arguments of Meyer and Rowan (1977), DiMaggio and Powell (1983) Meyer and Scott (1983) that institutional norms are not only perpetuated, but also changed, to acquire organizational legitimacy and prestige, access to resources and social support and approval (Oliver, 1992: 571). While deregulation, or the potential of, provided the trigger for change, the selection of the corporate form and the associated owner-management split determined the extent and scope of organizational change. Management became accountable to the board in a commercial/financial sense forcing the re-evaluation of fundamental strategic objectives. This resulted in a shift in managerial mindset from a community- to commercial-focus as organizational objectives shifted from being determined by political forces to the demands of customers. The corporate form therefore reduced even further each organization's institutional and community embeddedness. Institutionalised forces for inertia were tempered as community and political involvement in the organizational decision-making process was minimised. Breaking these traditional bonds enabled each organization to develop a new commercial frame of reference (Giddens, 1979; Weick, 1995) and provided the momentum for transformational change. New CEOs with commercial experience were appointed and, with the assistance of a reformed 'dominant coalition' (Thompson, 1967), granted the mandate to implement radical change. Consequently radical and aggressive strategic options emerged that encouraged growth and wealth creation – including diversification, mergers and acquisitions. Structural changes including divisionalisation, divestment and downsizing occurred alongside infrastructural

development to create a more customer focused and cost effective operation. Investment in formal cultural change programmes was made, ensuring that employees acknowledged and accepted the need for change and had the requisite skills and abilities to effectively implement change. The process of radical reconfiguration challenged the legitimacy of taken-for-granted activities (Oliver, 1992; DiMaggio, 1988; Zucker, 1983) within each organization and radically transformed the norms of operation, a process made possible only by the shift in values and ideas of the owners.

The decision to follow either a traditional community or develop a commercially focused ownership structure made by the conventional owners in each of these cases set the course or 'path' (Strebel, 1994) for the organizational change process. The owners of each organization chose to implement either a defensive or prospective strategic response to actual or potential environmental change (Miles and Snow, 1978). This choice was informed and framed by owners with regard to the effect deregulation would have on embedded/institutionalised organizational routines and cultures (Child, 1997; Bartunek, 1988) as well as implications for social/community welfare. In support of Greenwood and Hinings (1988, 1993, 1996), where the cases were strongly embedded in both institutional and community norms (EAL, BEL, MPL), forces for inertia dominated the strategic decision making process of owners and prevented radical organizational/archetype change. Where cases operated in the same institutional context but were less embedded in the community (SPL, DEL, PNZ, ELL), organizational owners were free to pursue strategies beyond the traditional institutional frame, reducing the embeddedness in the institutional context and enabling radical organizational/archetype change. Therefore I extend the propositions of Greenwood and Hinings (1988, 1993, 1996), and suggest that organizational and archetype change is more likely to occur where an organization is less embedded in the institutional environment and local community. In each case, the impact that environmental change had on the extent, scope, nature and pace of organizational change was mediated by the ownership structure.

7.3 The Role of Management in the Organizational Change Process

The third conclusion reached in this thesis is that senior management, particularly the CEO, plays a key role in determining the extent and nature of change at the organizational level. The cases show that the selection of the CEO and senior management ('dominant coalition', Thompson, 1967: 135), their personal values, ideas, skills and abilities, alignment with the strategic goals of owners and embeddedness in the local community was fundamental for the development and implementation of organizational change. Again the strategic direction desired by the owners determined whether a new CEO was employed, mediating the effect that environmental change had on the organization. Where owners took a defensive stance towards institutional change little modification was made to the ranks of senior management and change was generated external to the organization. In these cases change was reactive and adaptive. Where a prospective stance was adopted substantial changes were made to the ranks of senior management that generated an internal urgency for organizational change. In these cases change was anticipatory and transformational. Such evidence supports the argument (Newman, 2000; Kotter, 1995; Peters and Waterman, 1982, Thompson, 1967) that changes to senior/strategic management affects an organization's ability to change. It also supports the theories of Buchanan and Badham (1999) that politicisation of the change process plays an important role in the acceptance or rejection of change initiatives.

7.3.1 The CEO

In concert with the owners' initial strategic choice to implement a community or commercial ownership structure, the selection and appointment of the CEO was the most visible and influential difference between the cases of archetype inertia and transformation. In support of the likes of Kanter (1983) and Nadler and Tushman (1990, 1989), the nature and extent of organizational change was a function of the owner-management relationship and the values, ideals and competencies held by organizational leaders, specifically the CEO (Kotter, 1995; Hennessey, 1988; Graves, 1986; Schein, 1985). The skills, abilities, behaviour and style of a CEO are recognised in change literature as a fundamental influence on the change process for the CEO sets the frame of

reference for organizational development (Buchanan and Badham, 1999; Shaw, 1995; Van de Ven and Poole, 1995; Hambrick, 1995; Kanter, 1983; Tichy and Ulrich, 1984).

In the cases of archetype inertia, all three boards reacted to environmental change in a defensive manner and appointed an industry- and organization-insider drawn from the local community to the CEO position. This traditional selection method provided the board the means through which it could control the strategic direction of each organization. Giving preference to an insider maintained the established working and political relationship between the board and management. This ensured the ideals and values of the CEO were tightly aligned with, and therefore strongly embedded in and controlled by, the traditional norms of both the board and community. The resulting stability meant that the CEO did not generate pressure for or urgency for organizational change (Lorsch and Khurana, 1999; Pfeffer and Salancik, 1978) through a radically different vision. Instead each CEO maintained a focus on meeting the demands and expectations deemed legitimate by the values and ideals associated with the traditional archetype. This resulted in a strategic predisposition or political predisposition for a course of 'in'-action (Buchanan and Badham, 1999; Hinings et al, 1996; Beyer, 1981) with the CEO maintaining a traditional course of action and style of management that limited the extent and nature of strategic, structural and cultural change.

In contrast, the boards in all four cases of transformational change – SPL, DEL, PNZ, and ELL – anticipated a radical environmental shift and appointed a new CEO. In preference to a background in the electricity industry, CEO selection was based on criteria that emphasised personal skills in and experience with organizational development in a commercial and competitive environment. Consequently in each of these cases individuals that were selected to occupy the CEO position were new to the organization and even to the industry. The replacement of incumbents with individuals that had not necessarily developed within the company or industry was a radical departure from the traditional 'ascension through the ranks' selection process. In conjunction with the development of a commercial ownership structure this influenced stakeholder

perception of the role and intent of leadership. (Lorsch and Khurana, 1999) as the owners relinquishing of control promoted transformational change by providing the CEO with the autonomy to reduce each organization's embeddedness in the institution and community. This broke the socio-political control of the organization traditionally asserted by the owners and granted the CEO the mandate to implement widespread organizational change based on commercial imperatives. In support of Nadler et al (1995), high involvement strategies coincided with discontinuous and anticipatory organizational change. The style of management of each CEO, although directive, was far more consultative and inclusive than the past, promoting communication and organizational learning that helped create an internal momentum for change. However, despite the comparative freedom that the prospective approach granted each CEO, maintaining alignment with the strategic intent of each board was equally as important as in the cases of inertia. To achieve this, the board emphasised evaluative criteria that developed alignment not through traditional direct political control of the owner-manager relationship but instead via results based performance measures. The shift in power from owner to consumer and each CEO's ability to communicate the urgency of and create an internal desire for transformational change resulted in significant strategic, structural and cultural reconfiguration (Pfeffer and Salancik, 1978).

The CEO selection process reflected the strategic intent of the owners of each of the cases and is indicative of the mediating effect of ownership. Where owners wanted to defend the status quo individuals indoctrinated and embedded in the political and social (archetypal) norms of the organization and institution were selected to head the organization. In contrast where owners sought fundamental changes to create and exploit the potential of a competitive operating environment, individuals less embedded in the archetype and community were appointed to lead the organization. The subsequent alignment of CEOs – their strategic and political predisposition, ideology and management style – with the desires of each organization's board in turn determined the nature and extent of organizational change (Buchanan and Badham, 1999). Furthermore, in support of Hambrick (1995) the personality

and competencies of each CEO dominated to influence the direction of organizational change.

7.3.2 The Dominant Coalition

The impact that owner-CEO alignment had on the organizational change process was first felt in the ranks of each organization's senior management. For change to occur it is commonly argued that organizational members, particularly senior management or the 'dominant coalition' (Thompson, 1967), must acknowledge the need to change and have the requisite skills and abilities to implement that change (Kanter, 1983; Nadler and Tushman, 1990, 1989; Nadler et al., 1995).

In the cases of archetype inertia, the desire for control and associated lack of impetus for change generated by the defensive strategy of the owners resulted in the CEO making few changes at the senior management level. Incumbent senior managers of BEL, EAL and MPL were retained by the CEO and, with membership drawn from the local community, remained homogeneous, introspective and tightly embedded in the traditional ideals, values and norms of the community and institution (Hambrick, 1994). Although established top management teams have been identified as having a positive affect on the organization and implementation of change (Hurst et. al., 1989) there is also the potential that institutional and organizational barriers to change are reinforced through 'common team-wide shortcomings...and groupthink' (Hambrick, 1995: 110). That is a lack of change in the 'dominant coalition' (Thompson, 1967) can affect an organization's ability to change, as decision-makers may not possess the skills, ability, knowledge, willingness or strategic perspective to adapt beyond the confines of embedded and institutionalised norms (Newman, 2000; Kotter, 1995; Hamel and Prahalad, 1989). This pattern was evident in the cases of inertia. The lack of change at the top, strong CEO control and a shared desire for protecting ownership of the organization for the benefit of the community limited the scope and extent of organizational change and predisposed each to a reactive, incremental process. Where change was evident it had been driven by a need to meet external legislative requirements

rather than for internal demands for change in a manner illustrative of the effect of coercive institutional forces (DiMaggio and Powell, 1983).

In stark contrast to this, the owners' desire for the development of a commercial archetype in DEL, SPL, PNZ and ELL granted the CEO the mandate to review the top management team to ensure alignment of skills, abilities and values with the needs of the organization. Each CEO assembled a management group for the explicit reason of implementing change, with selection based on individual competence. The CEO personally appointed members, and in several instances individuals were 'head-hunted' for their skills or their ability to work well with the CEO proven by their relationship in previous organizations. Consultants were used extensively in each of these cases where another perspective was required or additional skills and resources were necessary in the short term. The effect of external input and turnover at the senior management level encouraged 'normative fragmentation' (Oliver, 1992: 575) a process where members new to the organization bring different values and ideals that generate new ideas, models and perspectives of the organization and its environment. This reduced the dynamic constraints of the organization's past and encouraged the development of a 'global' perspective in the senior management team where strategic, structural and operational options beyond the scope considered legitimate (normative) in the traditional archetype could be introduced (Miles and Snow, 1978: 20-21). From this process a new vision for the organization's future compatible with the intent of the owners emerged with models from other industrial sectors adopted in a mimetic fashion (DiMaggio and Powell, 1983). Consequently individual and organizational embeddedness in institutional and community norms was reduced, creating a sense of declining performance that generated an internal urgency for radical, transformational change. As a result strategic change in the form of diversification, differentiation, mergers and alliances occurred, culturally disparate events that forced the (structural and cultural) reconfiguration of each organization.

The effect that changes to the ranks of senior management had on each of the cases of organizational change supports Oliver's (1992) assertion that changes

to the dominant coalition's composition are a fundamental and necessary precursor to the implementation of transformational change. Again the control that the owners maintained over strategic management mediated the effect that environmental change had on the organization. In the cases of BEL, EAL and MPL direct board pressure on the CEO to remain aligned with their community focused strategy meant that it was not deemed necessary to change the ranks of organizational managers. Therefore they remained tightly embedded in the institutional, organizational and community context and had neither the mandate nor the perspective to initiate radical or anticipatory change. The extent of organizational change was restricted to that deemed compatible with the traditional archetype and consequently followed a reactive, incremental change path. In contrast in SPL, DEL, PNZ, ELL the shift to a corporate governance structure required that the CEO implement a new commercially focused strategy making necessary the introduction and development of a new focus as well as skills and abilities within the organization. This was achieved through the implementation of significant changes to the dominant coalition.

7.3.3 Summary

This research suggests that ownership mediates the effect that environmental change has on the organizational change process. In contrast to the majority of literature on change that argues environmental/institutional change leads to organizational change (e.g. Tushman et al, 1985) due to mimetic, coercive and normative pressures (DiMaggio and Powell, 1983), this research supports the theory proposed Buchanan and Badham (1999) that suggests that change is a more complex, political process. Empirical evidence provided by the case studies supports Greenwood and Hinings' (1988, 1993, 1996) assertion that radical organizational change occurs only where interpretive schemes – the values and beliefs that legitimate an organization's configuration – are forced to change. The strength or embeddedness of the interpretive scheme determines the 'track' – inertia or movement – between archetypes. In support of Greenwood and Hinings (1988) I found that transformational organizational change occurred only where 'prevailing ideas and values legitimacy [were] discredited' (306), the research suggesting that it is imperative that this shift occur at the ownership level. However this research also offers an extension to

Greenwood and Hinings' thesis and provides a multi-level explanation of archetype change. The experience of change captured in the cases suggest that in order to understand the organizational change process researchers should account for the impact of prevailing ideals and values of not only the organization's owners and management, but also the community.

In all cases of organizational change in the New Zealand electricity industry, the interpretive scheme was highly institutionalised, based on the historically established expectations of the government, organizational managers, owners and the community. Although deregulation – or the anticipation of – triggered the reassessment of strategic, structural and cultural configurations, the nature and extent of organizational change implemented in each of the organizations varied significantly. Where organizational change was most resisted and an 'inertia' type track followed, the bonds between organizational management, owners and the community (particularly the owner-community relationship) were highly intertwined. Although the government's attempt to commercialise the electricity sector was legitimate from a rational-economic perspective, as a radical challenge to established institutional, organizational and community norms the owners of these organizations did not necessarily share such a perspective. Concerned with maintaining control of the organization for the welfare of the community, the extent and scope of change encouraged by owners was limited to that which conformed to the 'legitimate' ideals and values of historic norms. Subsequently a governance structure that preserved the tight owner-management and organization-community bonds was selected, where the change was adaptive in nature, limited in scope and externally generated.

In extension to the arguments of Greenwood and Hinings (1988, 1993, 1996) I suggest that radical organizational change in anticipation or reaction to an environmental shift is less likely to occur where organizations, their owners and management, are more embedded in their institutional and local community context. Where an organization is strongly embedded in a community and plays both an important corporate and social role, such as BEL, EAL and MPL, gaining social approval for organizational change appears to be more important than achieving institutional legitimacy. Institutional changes that threatened the

established archetypal socio-political order of the organization and community were resisted and a defensive stance taken by owners. In contrast where an organization, its owners and management are less embedded in the community and primarily fulfil a corporate role, such as SPL, DEL, PNZ and ELL, the overriding concern during a period of environmental upheaval appears to be establishing institutional legitimacy. Changes that redefine socio-political relationships, although possibly not initially welcomed, were used as an opportunity by the owners to effect archetypal change that could allow the organization to exploit the potential of and even define the emerging operating environment. Irrespective of the extent of environmental change, the extent and scope of organizational change was mediated by the strategic choice of owners, a choice influenced by the institutional and community context.

7.4 Model of Organizational Change

The relationship between owners, management, the community and the organizational change strategy is captured in the following model (Figure 7.1).

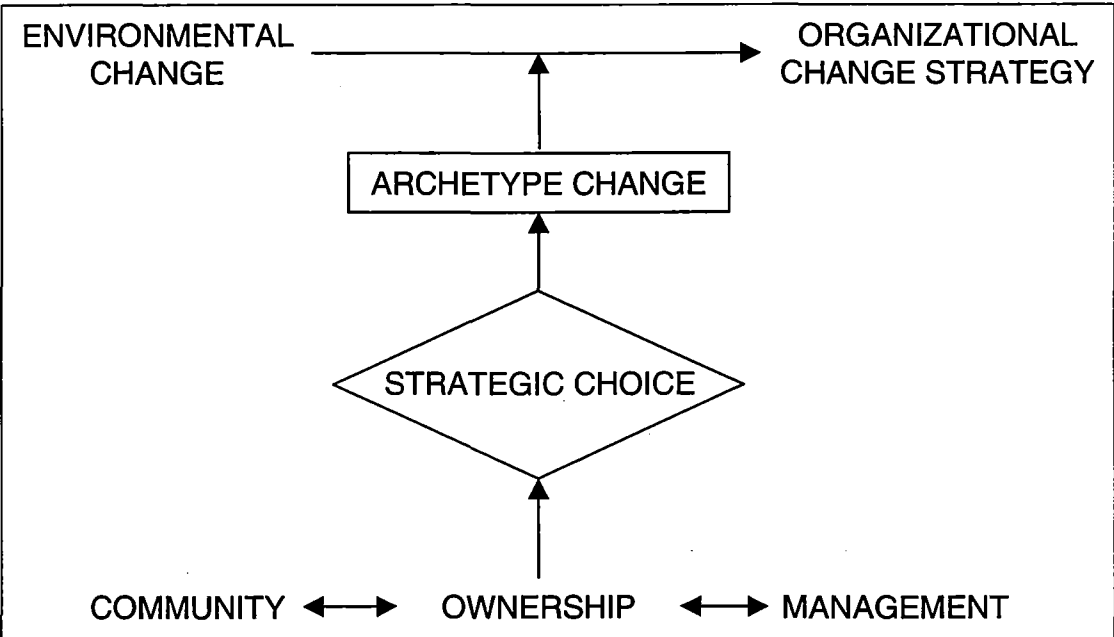


Figure 7.1 The Organizational/Archetype Change Process

The model shows that irrespective of environmental change, the extent and scope of strategic organizational change is dependent on whether archetype change occurs. Archetype change is dependent on whether the owners of an organization make a strategic choice to implement radical or adaptive organizational change. The values and ideals of the owners and management

and the degree to which they are embedded in and influenced by the community determine this choice. Therefore while organizations may face the same environmental pressures, the scope and extent of change can vary significantly, from incremental and reactive to radical and anticipatory.

This study found that where the values and norms of the owners are highly embedded and aligned with established institutional norms and the community, environmental change that threatens this relationship is likely to be resisted, limiting the extent and scope of organizational change. In three of the cases, environmental change (in the form of legislation) was perceived as a threat to the organization's traditional archetype, a set of values and ideals that focused on community welfare as much as the operation of the organization, embedding the organization-community relationship. During a time of environmental change these traditional values dominated strategic planning as maintaining control and ownership of the organization in the community became the primary objective of the owners. This resulted in the owners implementing a reactive and defensive organizational change strategy, developing an ownership structure that maintained community ties and allowed for direct owner control of the organization. This maintenance of control, congruent with the traditional electricity archetype, was allowed to develop through the government's failure to gain ownership rights. This provided owners with the ability to restrict the extent and scope of organizational change to that considered legitimately aligned with the values and ideals of the traditional archetype. Consequently the impact that environmental change had on the organization and the community was limited. Senior management remained unchanged and thus aligned with traditional ideals and values. Where change did occur it was generated externally and limited in extent and scope to that which was acceptable in the frame of the traditional archetype.

In contrast where the values and norms of the owners were embedded in institutional norms but not the community, organizational change was more radical in extent and anticipatory in nature. In the remaining four cases although the values and ideals of the owners of each of the organizations were embedded in institutional norms, their association with and the control exerted

on them by the local community was not direct. This established a distance between the organization, its owners and the community. As a result the owners implemented strategies less concerned with ensuring community welfare than they were with operating an effective organization for financial gain. Environmental change, or the potential of, therefore provided owners the opportunity to explore strategic alternatives and develop new operating ideals and values – a new archetype – that would best served the interests of the organization. This resulted in the owners implementing a prospective change strategy, developing a governance structure that separated ownership from control. The ranks of senior management were radically altered, the importation of a new dominant coalition facilitating the internal development of new operating principles. This internal momentum for change impacted significantly on the organization, resulting in a radical and anticipatory organizational change strategy that saw the reconfiguration of strategy, structure and culture in a quest to establish and gain the benefits of a new commercial archetype.

7.5 Implications of the Study

Understanding that organizational change is a complex political process has significant implications for policy makers and also for management practice. This research also has implications for further investigation of organizational change.

7.5.1 Implications for Policy

In the organizational change process this study found that organizations tightly embedded in their institutional and community context are less likely to undertake transformational change than organizations less embedded (Greenwood and Hinings, 1996) and that such embeddedness may be linked to ownership and control. Understanding the implications of this finding could have significant benefits for policy formulation.

The fashion in New Zealand's political scene in recent decades has been to reduce direct government control of potentially competitive industries through deregulation and privatisation. Motivated by a rationale that emphasised the socio-economic benefits of change, this found success in the operation of

SOEs. However in the context of the traditionally protected electricity environment, the government's inability to secure ownership of the organizations and force the separation of ownership and control reduced its ability to control both the organizational and institutional change process through a process of institutional coercion. This allowed the owners of each organization to determine their own strategic response to change based on values and ideals established by the owner-community and owner-management relationship. This resulted in the parallel development of defensive and prospective strategies, a dichotomy that saw the emergence of an operating environment somewhere between the past and the competitive deregulated market sought by the government.

Recognising that organizational change is a political process suggests that policy-makers intent on implementing discontinuous institutional change need to understand the values and ideals that determine and define archetypal norms. In the electricity context, although the strategies and structures of organizations were widely recognised as a barrier to efficient industry operation, it was in fact the values and norms (a function of the historic association of owners, managers and the community) reinforcing these configurations that required the attention of policy-makers. Even with legislation requiring change, these underlying forces meant organizations responded neither in a uniform nor predictable manner, resulting in the development of an operating environment far from that envisioned by government at the start of the deregulation process. It is therefore argued that in order to achieve institutional change policy-makers must endeavour to understand the emotional basis upon which an archetype is constructed before embarking on a discontinuous change programme. Rather than implement a standard change format or model, in this context the SOE model, policy makers must consider the potential impact that idiosyncratic institutional and organizational values and ideals have on the change process. In depth field research would go some way to providing insight into the values and ideals that pervade at both an organizational and industry level. This would provide policy-makers with a deeper knowledge of potential normative barriers to change and allow them to determine key emotional issues at the organizational and

institutional level that, if leveraged, could reduce embeddedness and engender widespread support for change.

Policy makers must also make an attempt to align public and institutional opinions to convince them of the need for change. This study showed that where owners and the community did not subscribe to government policy the costs of change were perceived to outweigh the benefits. The result was organizational resistance to change and archetype inertia. Rather than direct intervention, which could raise legal, political, organizational and social opposition, policy makers must create support for change within organizations and communities by educating key stakeholders, outlining the motivation and desired effects of change, while at the same time recognising and appealing to traditional values and ideals. Organizational stakeholders – particularly owners – must be made to feel that they have some input into and control of policy development. In the cases of anticipatory change this sense of control was already present, with owners convinced that through their actions they could control the organization's destiny and influence the development of the institutional environment. If policy makers were to provide a sense of control of the change process for all organizations it would go some way creating a sense of ownership, internalising the need for change. This would not only stimulate the acknowledgement, or even acceptance, of change at the institutional, organizational and community level but it would also provide the means through which policy makers could develop a new shared normative framework and institutional archetype.

The development of a sense of urgency through the rapid deployment of change policies is also a necessary factor in achieving significant strategic, structural and cultural change. Although policy makers were initially intent on the speedy recreation of the electricity industry, legal and political wrangling prevented the rapid introduction of change. This allowed organizations highly embedded in the established operating environment to develop defences against change. New government policy therefore must have rapid, direct and distinct implications that cause organizational owners and management to question the legitimacy and efficacy of the archetypal configuration and its effects on operation, performance and development.

7.5.2 Implications for Management

This study shows that for organizational and archetype transformation to occur changes should be made to the composition of the dominant coalition – particularly the CEO. This supports a well-established body of literature (e.g. Shaw, 1995; Kanter, 1983; Thompson, 1967) that the CEO and dominant coalition are fundamental in initiating and leading the change process. The appointment of senior managers from outside the organization, and even the industry, introduced new and varied ideals, values and skills that provided a new perspective of the organization and triggered organizational change.

Equally important to the composition of the senior management team is how this group is managed. Although management in each case was mostly aligned with and intent on meeting strategic objectives, organizational change occurred only where the CEO delegated managerial authority. Where authority remained vested solely in the CEO the organization remained embedded in the bureaucratic, hierarchical structure of the past. This engendered little momentum or support for change. Conversely where the CEO delegated managerial authority the power distance between the top and bottom of the organization was reduced. This enabled organizational members at all levels of the organization to participate in the redevelopment or transformation of strategic and structural norms. Delegation and empowerment developed a sense of ownership of the change process that assisted in awakening the organization to the need for change, in turn shifting values and ideals to overcome inertia. The use of external consultants was also an important factor in the development of change. Where managers employed external consultants they were provided with another, arguably non-partisan, perspective and assessment of the organization that assisted in the recreation of the strategic, structural and cultural configuration.

Delegation and empowerment alone is not enough to initiate and institutionalise archetype change within an organization. This study has shown that it is also imperative for senior management to establish and clearly communicate a vision of the organization's future and the strategy for change. Through communication management can establish a common basis on which all

stakeholders – the community, employees, owners – can develop an understanding of the rationale for change, potentially reducing opposition. Communication can also create a sense of internal dissatisfaction with the status quo and urgency for change amongst employees by developing the notion of a looming performance crisis. This research showed that where the pressure for change to counter this threat was generated internally, rather than externally, the extent and scope of change was greater. To maintain the momentum for change, managers must also establish achievable goals and celebrate milestones to provide evidence of the success of, and therefore reinforce and justify, the change process.

In conjunction with communication, managers seeking to implement change should invest in organizational development programmes so that the skills and abilities of employees are able to meet the expectations and demands of a new strategic focus. Such programmes reduce uncertainty and ensure the expectations of employees and managers are aligned. Customer feedback programmes are also an important part of the change process, providing evidence of organizational shortcomings that could counter internal assumptions that maintaining the status quo was justified. Where opposition to change remains ingrained managers must immediately counter the resistance by ensuring that they win the support of key organizational members whether they hold formal or informal positions of influence and where necessary removing individuals unwilling to change.

7.5.3 Implications for Future Research

This research has shown that the impact of environmental change on organizations is not a one-way process. In fact what emerged from the data was that change to institutionalised organizational configurations of strategy, structure and culture is mediated by the values and ideals of owners. This research found that where these values and ideals were strongly embedded in the institution and the community established configurations gained a self-reinforcing social and organizational legitimacy that when faced with environmental change was difficult to challenge. In contrast those organizations less embedded in the community were less averse to change, a situation that resulted in two distinct archetypes operating in parallel. Where

the data from this research ends it was not clear which archetype would prevail. Future research could investigate whether normative, mimetic and coercive forces did eventually stabilise the operating environment, resolving the archetype conflict by validating a particular strategic and structural configuration. Such a longitudinal extension of this research would provide further insight into the institutional, organizational and socio-political forces that influence the organizational change process and deinstitutionalization.

A future research direction may also attempt to "unpack" the association between community embeddedness and ownership/governance and seek answers to whether they always coincidental and in which situations they may have differential effects. Given the legislative impetus for change, I did not enter the field with a priori assumptions that ownership and the community would have such a profound effect on the organizational change process. Research built around this finding in particular may lead to a better understanding of the organization-owner-community relationship and the impact this has on the organizational change process.

This research was confined to investigating seven of New Zealand's more than thirty electricity companies. Replication of this study in other electricity companies nation-wide would provide further data to either confirm or challenge the findings in this research. A single in depth case study that collected data not just from senior management, but from individuals throughout the organization would also serve to validate these findings. Furthermore the context in which this study was conducted was unique as the electricity industry exhibits several characteristics associated with monopolies. Given the similarity with which electricity companies have been operated worldwide, and similar moves by other governments to deregulate the electricity sector, replicating this research internationally may give further insight into the change process and the effect of ownership and control has in other situations. Replication in organizations that face a fully competitive environment would serve to verify or negate the findings of this study in other industries.

The experience of change captured in each of the cases also suggests that in evolving institutional environments radical, anticipatory changes may not

always be the best option. SPL, DEL, PNZ and ELL discovered this, as the changes that they expected did not occur. As a result, they went through a stagnant phase and had to revisit some of their earlier strategies. As the legislative environment was continuing to develop during the data collection phase of this research future research could look at the implications and effects that each strategic path – reactive and anticipatory – had on the development of each organization.

Further this research did not look at the effects of organizational change on performance, as such retrospective data was not available during the change process. Future research could look at those organizations that followed an anticipatory path and investigate whether they realised greater operational and financial performance benefits than those following a reactive strategy. Such research could also question how strategic and structural configurations affected overall performance over time.

Appendix

Appendix 1.1

Ethics Approval

COPY

13 February 1998

Mr M Duncan
C/o Dr V Nilakant/Dr S Mouly
Department of Management
UNIVERSITY OF CANTERBURY

Dear Mr Duncan

I am pleased to advise that your project "Change in New Zealand Electricity Companies: A Study of organisational response to a deregulated market" qualifies for exemption under section 2b (2)(a) of the Human Ethics Committee guidelines.

Although you are exempt from review four Committee members of the Human Ethics Committee have completed their individual reviews so it is your choice whether you retain or delete the last sentence of your information sheet referring to the Human Ethics Committee.

Yours sincerely

J A Cockle (Miss)
Secretary

Appendix 1.2

Letter of Introduction

Chief Executive
Dunedin Electricity
PO Box 1404
Dunedin 9015

Dear Sir

My name is Michael Duncan, and I am currently enrolled in the PhD programme of the Department of Management, University of Canterbury. My area of interest and current research is that of organizational behaviour – primarily strategic and structural reaction to change. With the recent changes in the electricity distribution and retail sector, the unique opportunity exists to study organizational behaviour during a period of rapid and widespread change. As a key player in the industry, Dunedin Electricity is an obvious candidate for such a project.

In order to carry out this research, the methodology that I utilise requires me to conduct a number of interviews with people involved in the management of EPCs – the likes of board members, corporate planners and heads of departments. These interviews take approximately 45 minutes, and inquire into how the organization has changed, in for example human resource practices, over the past few years.

Obviously I cannot say what the final outcome of this research will be. However, with New Zealand at the forefront of change I believe a project such as this will enable electricity companies, as well as industry in general, to gain a deeper understanding of the critical processes and factors associated with organizational change.

I will, if you don't mind, call you later in the next week so that we can discuss this project and my needs. If you would prefer to call me, or have any queries or concerns please do not hesitate.

I look forward to speaking to you.
Yours sincerely

Michael Duncan
PhD Research Student

Appendix 1.3

Observation Notes

Managing Director
Southpower Limited
24 February 1998

Location: Personal Office, Southpower Headquarters, 318 Manchester Street,
Christchurch

BE (Electrical), Reg Eng, AFNZIM, MNZIMC

Managing Director of Southpower since 1989 and he is a director of Enerco New Zealand Limited. Worked for New Zealand Electricity, the Otago Central Electric Power Board and the Christchurch Drainage Board, and was South Island regional manager for Electricorp Marketing. He is chairman of Energetics Pty Limited and a director of all other Southpower subsidiaries.

After entering Southpower's headquarters, contact was made with the MD's secretary through reception. After a short wait I was issued with a temporary identification card and ushered to the second floor. After approximately five minutes waiting in a small, dankly decorated but homely reception, the MD walked up and introduced himself. He led me through to his office, a medium sized workspace cluttered with various documents, a computer and with a relatively pleasant view to the street below. He apologised for the mess as he had just finished a teleconference. After a brief chat about my intentions to relax both parties involved, the interview proper commenced. This was a very informative and relaxed interview, philosophical at times – and offering rich data unsolicited. He seemed to be very much a people person rather than an 'engineer' as such, despite his training as an engineer.

From first impressions of this interview, he was very concerned with these points;

1. Communication
2. Trust
3. Customer service
4. Leadership
5. Team work
6. Pride
7. Ownership

He was very enthusiastic about the changes and the philosophy that Southpower took towards them. He was aware of the differences between his/Southpower's approach and took great pride in ownership of the company and the changes.

After switching off the recorder we continued to discuss several matters where he raised the point of the trade-offs between maintaining or selling contract businesses – the transaction cost problem of short term financial gains through selling vs. preventing competition and maintaining control and reliability.

Appendix 1.4

Research Questions

- Opening Questions

How long have you worked in the electricity industry?

What is your current position, and what responsibilities do you have?

How long have you held your current position?

Other work/other electricity companies?

- Change Specific Questions

In your opinion....

What have been the key drivers of change?

Why have these factors been so important?

How has the structure of this organization changed?

Why?

What factors have been most influential in structural decisions?

Over what time period has this change occurred?

How has the strategy of this organization changed?

Why?

What factors have been most influential in strategic decisions?

Over what time period has this change occurred?

How have the human resource practices of this organization changed?

Why?

What factors have been most influential in human resource decisions?

Over what time period has this change occurred?

How have the marketing practices of this organization changed?

Why?

What factors have been most influential in marketing decisions?

Over what time period has this change occurred?

- Wrap Up

Is there anything we haven't discussed that you think is important?

Appendix 1.5

Coding

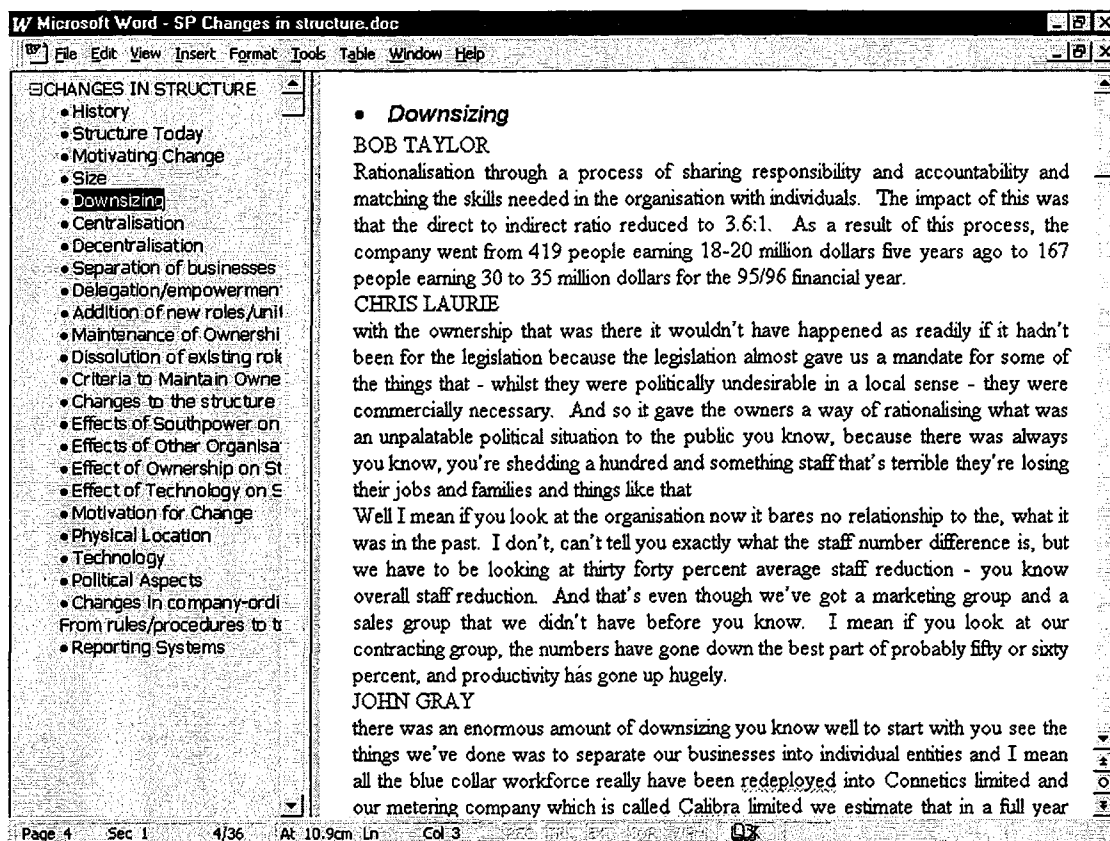


Illustration of the computer assisted manual coding process.

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